Eastern Europe

Privatisation will fuel new advances

Emerging markets, Page 21

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Nato seeks a new reason to exist

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A willing sacrifice

Stephen Wolf steps down to save UAL

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FINANCIAL TIMES

Europe's Business Newspaper — MONDAY JANUARY 10 1994 — D8523A

US strikes deal with Abu Dhabi over BCCI assets

The US has reached a deal with Abu Dhabi that settles some counter-claims on the assets of the collapsed Bank of Credit and Commerce International. It also gives US prosecutors access for the first time to Swaleh Naqvi, second-ranking manager of BCCI, who has been under house arrest pending charges in the Gulf emirate.

US legal and banking authorities as well as trustees for First American, the US bank illegally controlled by BCCI, agreed to drop a civil lawsuit against Sheikh Zayed bin Sultan, ruler of Abu Dhabi and BCCI's majority shareholder. Page 3

General Motors, world's largest vehicle maker, aims for a net profit on its North American automotive operations in 1994 after three years of heavy losses, chief executive Jack Smith said. Page 15

Sydney waits for rain: Cooler weather offered Sydney hope of an end to its four-day battle with bush fires that have destroyed more than 150 homes on the outskirts of the city and killed four people. Rain is not due until Wednesday at the earliest. Story and picture, Page 4

US to ask EU help over Japanese markets: US trade representative Mickey Kantor will today ask the European Union to join an effort over the next month to persuade Japan to open its domestic markets further. Page 14; *Hectic three months for trade negotiators, Page 3*

Support for Mideast accord slides: Palestinian support for the peace agreement with Israel is disintegrating and economic conditions in the occupied territories are deteriorating, the Israeli cabinet has been told. Page 4

Failings in Metallgesellschaft's US arm: As losses at stricken German metals and oil trading group Metallgesellschaft began to mount in the autumn, further misjudgments by the group's management in the US added to the scale of the disaster. When the hedging had to stop, Page 18

European Monetary System: After the Bundesbank's announcement that interest rates will remain fixed for the time being, the D-Mark has firmed fractionally within the EMS grid. The Spanish peseta, however, continues to weaken at the bottom of the grid. Meanwhile the punt remains unchallenged at the top, in spite of an Irish interest rate cut on Friday. Currencies, Page 29

EMS: Grid — January 7, 1994

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

EMI faces tough start: The council of the European Monetary Institute, forerunner of the European central bank, holds its inaugural meeting in Frankfurt tomorrow with difficult questions still to be resolved over staff pay and conditions. Page 14

Irish peace plan in jeopardy: Prospects for peace in Northern Ireland receded after Sinn Féin, political arm of the IRA, demanded British action to "persuade" unionists to accept Irish unity and UK prime minister John Major again refused republican demands for "clarification" of the Anglo-Irish joint declaration. Page 6

UBS dismissal case: A prominent City of London investment analyst is serving subpoenas asking three leading UK industrialists to attend his case for unfair dismissal against UBS Securities, investment bank subsidiary of Switzerland's biggest bank. Page 15

China's $100m fund: The investment arm of China's Guangdong Provincial Government is launching a $100m direct investment fund which will be listed on the London Stock Exchange. Page 15

Banesto changes urged last autumn: J.P. Morgan, US bank advising Banco Español de Crédito (Banesto) before its board was dismissed two weeks ago, urged Mario Conde, Banesto's former president, last autumn to make changes in the bank's senior management as part of a recovery plan. Page 18

Mexico City blasts: Four bombs exploded in Mexico City at the weekend and a grenade was tossed at a government building in the resort of Acapulco in further signs of an extension of the uprising in the southern state of Chiapas. Page 4

ANC officials attacked: A journalist was killed and two wounded when gunmen attacked a party of officials including ANC general secretary Cyril Ramaphosa in the township of Katlehong, Johannesburg. Ramaphosa was unhurt.

Peace move by Burmese guerrillas: Burma's largest remaining guerrilla group, the Karen National Union, is to hold peace talks today with the government. Page 4

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y600	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.20	Philippines	Pes50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L10000
						UAE	Dh12.00

President declares US depends on security of a democratic continent

Clinton urges European unity

By Jurek Martin in Brussels

Bill Clinton opened his first presidential visit to Europe with a powerful call for integration of the continent, east and west as part of a renewed partnership with the US.

At least 100,000 US troops, he said, would remain in Europe "not out of habit" but because the commitment was "justified".

Proclaiming a "new day for our transatlantic partnership" in a speech at the Brussels town hall, the president declared that the US depended on the security of a free and democratic Europe.

Mr Clinton said that the "new security" would rest on three pillars – military strength, to be discussed at the Nato summit beginning today; economic security (Mr Clinton also announced that the long delayed "jobs summit" would be held in March); and the growth of democracy, which could prove an effective antidote to preventing another Bosnia.

Alluding to fears aroused by the rise of Russian nationalism, Mr Clinton maintained it would be wrong "to draw a new line between east and west that could create a self-fulfilling prophecy of future confrontation".

While "the statements of some Russian political figures have given us all genuine cause for concern," the "staggering" recent developments in Russia had to be kept in perspective. "Our road to Europe's integration will be wider, smoother and safer" if Russia could be helped to evolve into "a market democracy at peace with its neighbours," he said.

It was vital that what might prove to be "fleeting" opportunity to bring the former Soviet bloc on board not be missed, he said. Integration may prove "gradual and often difficult," as Germany's experience had shown, but "the Iron Curtain must not be replaced by a veil of indifference".

Thirsty work: Clinton's car prepares to leave Brussels airport for the Nato summit at the start of his maiden presidential visit to Europe — Reuter

Mr Andrei Kozyrev, Russia's foreign minister, echoed Mr Clinton's theme yesterday, saying fears of a new "threat from the east" would be dispelled by a strategy of partnership with the democratic forces in Russia, in spite of the success of the ultra-nationalist and communist parties in last month's elections.

In particular, Mr Clinton urged western Europe to open its economic doors to the east. The success of eastern Europe "will ultimately depend more on trade than aid" given the shortage of money in western government coffers. This meant continuing to reduce barriers to trade and investment, a message he will reinforce at a session with European Union leaders tomorrow before travelling on to Prague, Moscow, Minsk and Geneva.

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Scramble for seats on mystery ride ....Page 13
Declining relevance of Europeans ....Page 13

Mr Clinton also commended to European attention the US Partnership for Peace proposals, to be endorsed at the Nato summit which would allow eastern European states to gradually strengthen their links with Nato.

Meanwhile, the president's European itinerary later this week could change should a satisfactory agreement be reached over the dismantling of the nearly 1,800 former Soviet nuclear missiles based in Ukraine. The problem of nuclear proliferation, Mr Clinton said, was "one of our most difficult and challenging tasks".

US officials confirmed that progress had been made in indirect negotiations with Ukraine. But they stressed that it remained to be seen if President Leonid Kravchuk could secure the agreement of his parliament in Kiev. A US offer to buy up to 500 tons of uranium extracted from Russian and Ukrainian missiles remains on the table.

Paramount battle open after cool reaction to Viacom

By Martin Dickson in New York

The $10bn takeover battle for Paramount Communications appeared wide open yesterday. Wall Street traders reacted unenthusiastically to a new offer from cable company Viacom, which simultaneously announced an $8.4bn plan to merge with video retailer Blockbuster Entertainment.

Late on Friday, helped by a $1.25bn cash injection from Blockbuster, Viacom announced that it was increasing its cash offer for 50.1 per cent of Paramount's stock from $85 a share to $105 a share, topping a $92 a share offer on the table from rival bidder QVC Network.

But, at the same time, Viacom sharply reduced the value of the package of securities it is offering for the remaining 49.9 per cent of Paramount's stock. Based on Friday's stock market closing prices, traders reckon the securities are worth some $51 to $52 a share, compared to a package of QVC securities worth around $74 to $75.

The total cash and stock value of the Viacom bid thus stands at around $78 a share, compared to QVC's $83 a share, and analysts said the Viacom offer could deteriorate further today if traders marked down its shares in reaction to Friday night's merger pact with Blockbuster, which came after the stock markets closed.

Viacom has agreed to buy Blockbuster, the world's largest video rental company, for stock worth around $8.4bn, even if it fails in its bid for Paramount.

Several Wall Street analysts expressed scepticism about the value of this deal for Viacom, since Blockbuster's video business faces a threat from technology which will eventually allow consumers to summon up movies at home by a press of a remote control button.

The new Viacom offer, which will close on January 21, came just hours before the Friday night close of QVC's latest tender for Paramount.

Before the market opens today,

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Background, Page 15

Video game makers plan rating system

by George Graham in Washington

Video game manufacturers in the US, under political pressure to limit the violence and sexual content of their products, have agreed to set up a system to rate games according to their suitability for children.

In an initial proposal outlined this weekend at the Consumer Electronics Show in Las Vegas, the Software Publishers Association, representing 1,100 companies, suggested a four level system ranging from E for everyone to AO for adults only.

Game makers would rate their own products, but they could be fined by an industry-appointed council if they violated agreed guidelines.

Some video game companies, including Sega, which has overtaken Nintendo as the market leader in the US, already publish ratings with their games, but the industry is still some way from making the system general.

But as games get bloodier and more realistic with the development of advanced graphics, the $6bn-a-year industry is under mounting pressure from the US Congress and from customers to crack down on some of the more explicit games.

Senator Joseph Lieberman of Connecticut and Senator Herb Kohl of Wisconsin have proposed a bill that would impose ratings on the video game industry if it fails to produce a satisfactory system of its own within a year.

Two top-selling games under particular scrutiny are Mortal Kombat, sold in different versions by both Sega and Nintendo, in which a victorious player can dismember an opponent or rip out his heart, and Night Trap, a parody of 1950s horror movies in which players try to defend semi-naked women from blood-sucking zombies. Night Trap was removed from sale last month by Toys "R" Us, the big toy-retail chain, because of its content.

Although the Software Publishers Association proposal is now expected to form the basis for an industry-wide rating system, there is still disagreement among game makers about the way such a system should operate.

Some big companies favour an independent rating authority, while others argue that the cost and delay involved in such an authority would be devastating to their profitability.

Market grows by 15%, Page 6

Ciampi under pressure on eve of no-confidence vote

By Haig Simonian in Milan

The fragile eight month-old government of Mr Carlo Azeglio Ciampi, Italy's prime minister, is facing one of its sternest tests this week as parliament meets for a crucial no-confidence motion on Wednesday which could determine Mr Ciampi's future and the timing of new elections.

The political tension rose after magistrates started to interrogate Mr Maurizio Broccoletti and Mr Luigi Bisignani, two central figures in the long-running political corruption scandal, who returned to Italy last week.

Both men are believed to have access to important evidence which could affect the present government and influence this week's parliamentary debate.

The most explosive testimony is expected to come from Mr Broccoletti, a top administrator of the secret services, extradited from Monaco on Thursday.

He has claimed a string of senior ministers regularly received payments from the secret services over the past decade. Mr Broccoletti's allegations include two previous ministers of the interior, administratively responsible for the secret services, and the present incumbent, Mr Nicolo Mancino.

His claims, which come as Italy's political parties manoeuvre frantically for advantage ahead of the no-confidence vote, could provoke further ministerial resignations.

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They also involve Mr Vincenzo Parisi, the head of the national police force, who offered to resign at the weekend. The resignation was rejected by the government, and Mr Parisi is expected to make a statement to magistrates this week.

Allegations of high-level corruption by Mr Broccoletti last November rocked the political establishment and triggered an unusual television address to the nation from President Oscar Luigi Scalfaro. Mr Broccoletti has now raised the stakes by accusing several ministers, and Mr Scalfaro, a former interior minister, of covering-up the evidence.

But observers have treated the claims with caution, amid a stream of conflicting allegations, including suggestions that some disaffected members of the secret services have been conducting a disinformation campaign against the present government.

Mr Bisignani, one of the six remaining suspects in hiding in the corruption scandal, gave himself up to Milan police on Friday. Magistrates believe Mr Bisignani played a vital role as a political go-between passing illegal payments from industry to senior politicians.

A former Rome correspondent for the Ansa news agency, Mr Bisignani had high-level political contacts, notably in the Christian Democrat party. He is also believed to have played a central role in transferring large kickbacks from the Montedison chemicals group, where he was head of external relations, to the parties during negotiations to dissolve the ill-fated Enimont chemicals joint venture in 1990.

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Alliance involvement in tripartite peace plan seen as vital

Bosnians to press for Nato air strikes

By Judy Dempsey in Bonn and Laura Silber in Belgrade

Bosnian officials are planning a diplomatic drive to persuade Nato to launch air strikes against Serb positions as a means of protecting aid convoys and lifting the siege of Sarajevo.

Separately, in a letter sent to this week's Nato summit in Brussels, the Bosnian government urges the defence alliance's involvement in any peace plan agreed between Bosnia, Croatia and Serbia.

"Nato is the only entity that can muster the necessary forces with the proper mandate and resources that are critical to a successful programme," it said. The letter coincides with growing impatience within the European Union over failure to reach a negotiated political settlement.

Yesterday, Mr Jean-Luc Dehaene, Belgian prime minister, said the Nato summit must "give a signal... We must seriously consider whether to carry out air strikes".

The US and Britain sent a demarche to Serbia's President Slobodan Milosevic at the weekend stating that air strikes in support of aid convoys had not been ruled out.

In an interview on BBC television yesterday, Mr John Major, British prime minister, reaffirmed the UK's readiness to launch air strikes if the UN requested Nato to do so.

The renewed attempts by the Bosnian government to involve Nato came as Lord Owen and Mr Thorvald Stoltenberg, the international peace negotiators, sought agreement between Bosnia and Croatia on a ceasefire in and around Vitez, a Croat enclave in the centre of the republic.

Talks, which had been due to open in Bonn on Saturday, were postponed until yesterday after shelling at Sarajevo airport prevented Bosnian President Alija Izetbegovic's departure.

The talks between Mr Izetbegovic and President Franjo Tudjman of Croatia will aim to end conflict in central Bosnia and reach agreement on the future status of Mostar in western Hercegovina. Bosnia's access to the sea under an eventual peace agreement will also be discussed.

But Bosnian government officials yesterday said they were determined to hold on to the area around Vitez. "There are crucial military installations and production facilities here," a senior diplomat said.

"The Croats want this region, so do we," he added. However, he said the Bosnian government opposed the imposition of sanctions on Croatia as a means of applying pressure on Zagreb to pull its troops out of Bosnia.

Moslem forces pushed forward against their Croat adversaries in the town of Vitez as British UN troops braved the fighting to rescue civilians.

The clashes heighten the prospects for all-out military intervention by Croatia, after warnings last week by Mr Tudjman and senior Croat officials that Zagreb would intervene if the Moslems did not halt their offensive in the Lasva valley, in central Bosnia.

A British officer in Vitez yesterday said the Moslems appeared to have launched a surprise pre-dawn attack. At least four people were killed, including three children, and more than 30 injured in the fighting, according to local officials. As the fighting flared, British forces in armoured personnel carriers helped evacuate civilians from surrounding villages.

Meanwhile, spurning western threats to launch air strikes against Serb forces attacking Sarajevo, Bosnian Serb leader Radovan Karadzic reiterated his aim to create a Greater Serbia.

"Our goal is to unite with Serbia, we cannot hide that. This is our right," he told an assembly session marking the second anniversary of the declaration of his self-styled Serb state. The meeting was held in Pale, the mountain stronghold less than 10 miles east of the besieged Bosnian capital.

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Bribery claims shake Belgian coalition party

By Andrew Hill in Brussels

Belgium was shaken this weekend by publication of leaked allegations of bribery and corruption at the heart of the country's French-speaking Socialist party, one of four members of the fragile governing coalition.

Mrs Véronique Ancia, an investigating magistrate from Liège, wants to question three Socialist ministers about claims that money was promised to the party in relation to a 1988 contract for military helicopters awarded to Agusta, the Italian aircraft manufacturer.

Members of the national parliament, and the assemblies of the country's Walloon region and French-speaking community, will this week consider whether to agree to her request that the ministers' parliamentary immunity be lifted.

But the formal procedure may be disrupted by the wholesale leaking of the secret report justifying Mrs Ancia's request.

The report was widely quoted by Flemish radio last week and published in full by certain Belgian newspapers on Saturday.

"What is at stake in this affair is too important.... for the truth never to see the light of day," the francophone daily La Libre Belgique argued in an editorial.

As published, the report alleges that vital documents were doctored to favour the Agusta bid over French and German competition. It concludes that "the way in which the contract was granted was tainted with illegal acts.... and forgery".

Mrs Ancia's inquiry has been based on interviews with sources including Mr Philippe Moureaux, another senior member of the French-speaking Socialist party, ministerial advisers, and senior army officers.

All three Socialist ministers – Mr Guy Coëme, Belgian deputy prime minister, Mr Guy Spitaels, minister-president of Wallonia, and Mr Guy Mathot, Walloon minister of internal affairs – again denied last week that they were involved in any wrongdoing.

Critics of the way in which the inquiry has been handled now say two key principles of Belgian law – the secrecy of legal investigations and the presumption of innocence – have been broken.

Mr Mathot claimed yesterday that he was being subjected to the "justice of the streets", with no right of defence.

Public discussion of the scandal has also raised fears of a split in the francophone Socialist party, a rekindling of animosity between French-speaking Wallonia and Dutch-speaking Flanders, and even the disintegration of the government itself.

The Volksunie, a moderate Flemish nationalist party, certain young French-speaking Christian Democrats, and most of the Flemish press have already called for the resignation of Mr Coëme, who was defence minister at the time of the Agusta deal.

Agusta itself has always denied any connection with illegal financial dealings.

Senior Kohl aide calls for change in tough export guidelines

Bonn urged to ease arms rules

By Ariane Genillard in Bonn

Mr Friedrich Bohl, a senior aide to Chancellor Helmut Kohl, yesterday called for a revision of Germany's strict guidelines on arms exports.

Speaking on radio, Mr Bohl, minister in charge of the chancellery, defended a proposal by conservative parliamentarians last week to lower Germany's tough 1982 restrictions on weapons exports and harmonise them with less stringent standards in the European Union.

Mr Bohl said it was "fully unrealistic" to expect Germany's EU partners to raise their own arms trade restrictions. "We have to reach a reasonable compromise in line with our moral standards and international obligations."

The restrictions include a ban on arms sales to any conflict zone or "area of tension". This rules out German arms exports to most of the Middle East. They also apply to technology easily converted from civilian to military use.

Conservative members of parliament have recently stepped up pressure on the federal government with calls for a relaxation of the guidelines. Members of the Bavarian Christian Social Union (CSU), a key coalition partner for Mr Kohl's Christian Democratic Union (CDU), have been particularly vocal in an effort to help the local arms industry, which faces large job-losses because of the recession and federal defence cuts.

Mr Karl Lammers, foreign affairs spokesman for the CDU/CSU in parliament, last week put forward a proposal for more liberal guidelines to allow cross-border co-operation in the defence industry. The idea has received strong support from the powerful BDI industry federation.

"The threatened exit of German companies from the field of defence technology must be prevented. This would have drastic consequences for our competitiveness, our security and foreign policy and the capacity of our army," said a BDI statement. German businessmen complain that Germany's tough restrictions are giving an unfair advantage to competitors.

The parliamentary proposal has also been backed by Mr Wolfgang Schäuble, parliamentary leader of the CDU and one of the most influential advisers to Mr Kohl. However, Mr Kohl and his ministers are unlikely to be willing to open up such a sensitive public issue in an election year.

German restrictions on the sales of armaments abroad have been tightened in the last decade after it was found out that German defence equipment was used in Libya and Iraq.

President François Mitterrand tours the flooded south-western town of Saintes by boat at the weekend Associated Press

French rescuers seek flood victims

Rescue workers yesterday struggled to reach four people feared crushed in their homes when an avalanche of mud devastated the French Alpine village of La Salle-en-Beaumont, Reuter reports.

Rescuers using mechanical excavators worked through the night in a desperate effort to clear away the tons of sodden earth that swept through early on Saturday.

The mud destroyed eight homes and the village church, about 35 miles south of Grenoble, and two middle-aged couples were almost certainly buried in their sleep, officials said.

The landslide, over 600 yards long and 300 yards wide, started when a rain-swollen canal overflowed in the mountains above the village, pouring water on to a precipice already soaked by weeks of rain.

One of the men believed killed had been warned by telephone of the mudslide but decided to stay in his house.

The landslide was the worst incident since relentless rains began in France last month, causing at least five confirmed deaths, flooding thousands of acres and forcing thousands to flee their homes.

Surging waters broke through a string of dams in the southern Camargues region at the mouth of the Rhône on Saturday, threatening the vast region which was devastated by floods in October.

Access to the southern city of Arles was cut off early on Sunday because of floodwaters.

President François Mitterrand on Saturday toured flooded streets in the south-western town of Saintes by boat. More than 500 houses in Saintes and the surrounding region had to be evacuated.

Minority fights Slovakia plan

By Patrick Blum in Komarno

More than 3,000 elected officials from Slovakia's Hungarian minority agreed at the weekend on a plan designed to protect and expand ethnic Hungarian rights in Slovakia.

However, they pulled back from possible confrontation with the government by dropping demands for an autonomous Hungarian province with its own parliament.

There are about 600,000 ethnic Hungarians, representing 12 per cent of the population, in Slovakia.

Local representatives who met in a packed sports' hall in the southern Slovak city of Komarno on Saturday, agreed to campaign for the establishment of a single administrative district comprising either one or three regions that would guarantee "basic freedoms and human rights" for ethnic Hungarians.

These proposals counter government plans included in a broader administrative reform that would divide the areas inhabited by ethnic Hungarians along north-south axes, which would dilute Hungarian representation at local and national level.

Ciampi's fate in the hands of parliament

No-confidence debate will prove decisive, writes Haig Simonian

For experienced watchers of Italian politics, the coalition government's closing weeks show all the signs of Roman politics at their most introspective.

Rather than mirroring the mood of change supposedly sweeping the country, the talks held last week by Mr Carlo Azeglio Ciampi, the prime minister, and party leaders ahead of Wednesday's crucial no-confidence vote were more reminiscent of the sort of backroom dealing which has been a hallmark of Italian politics since the second world war.

But whatever the political manoeuvrings before the parliamentary motion, the debate itself is expected to prove decisive for Mr Ciampi's future and the timing of new general elections.

Although the prime minister has been sibylline about his tactics, President Oscar Luigi Scalfaro, with whom Mr Ciampi has co-operated closely, is widely expected to dissolve parliament immediately after the debate, irrespective of its outcome.

In early December, most Italians had expected President Scalfaro to announce the election date in his year-end address. Almost two years of political corruption investigations have cut a swathe through the political establishment and mid-March appeared most likely.

Shortly before the address, however, Mr Marco Panella, leader of the small Radical party, persuaded many deputies to table a no-confidence motion. In the circumstances, Mr Scalfaro, a firm believer in parliamentary rights, decided to delay an announcement until the legislature had expressed itself on the Ciampi government.

The Christmas break and Mr Ciampi's commitments at this week's Nato summit in Brussels have postponed the debate until Wednesday. In the interim, the prime minister has sounded out party leaders on the timing of elections.

Party attitude to the polls fall into three camps. The clearest is that of the Democratic Party of the Left, the Northern League and the neo-fascist MSI. All three, though light years apart ideologically, expect to perform well and therefore want an early vote.

By contrast, a large number of deputies, predominantly from the coalition of Christian Democrats, Socialists and two smaller parties which technically support Mr Ciampi, want it put off for as long as possible.

Their motive is self-interest. Dozens of deputies caught up in the corruption scandals have managed to avoid interrogation – and possible incarceration – thanks to their parliamentary immunity. Should they lose their seats, their immediate prospects are not rosy.

The third camp also comprises members of the four-party coalition. They, too, would like polling postponed, ideally to June, when they could be combined with European parliamentary elections.

However, their motives are substantially different from those of their colleagues fearing prosecution. Headed by Mr Mino Martinazzoli, the Christian Democrat leader, the third group sees postponement as offering an opportunity to regroup the tattered centre of Italian politics.

Mr Martinazzoli's DCs, traditionally an umbrella party bringing together widely different schools of thought, are most exposed. Once Italy's biggest grouping, the party is set to suffer badly at the ballot box.

Some right-wing members have already defected to Mr Mario Segni, the popular former Christian Democrat, whose popular referendum movement has been the catalyst for many of the most important political reforms of the past two years.

The Christian Democrats are also fraying on the left. Deputies from the Veneto region have called for the immediate creation of a party to replace its discredited forerunner. Last week another splinter group, dubbed the "neo-centrists", attacked Mr Martinazzoli's leadership with calls for deeper reforms.

Prime minister Ciampi (above) has co-operated closely with President Scalfaro (top)

The pressures within the Christian Democrats have been clearly communicated to President Scalfaro, himself a former DC minister, and Mr Ciampi, whose coalition is largely based on the party's support.

So far, both men have resisted the pressures. Mr Ciampi is a former central bank governor who has made much of his current role as leader of an "institutional" government of technocrats largely independent from party politics.

Mr Scalfaro, who is required to put aside his former political allegiances as head of state, has shown admirable impartiality.

The latest twist in the political corruption scandal, with the extradition last week from Monaco of Mr Maurizio Broccoletti, has raised the pressures further on both men. Mr Broccoletti, a top secret service administrator, has made explosive claims about payments to senior politicians and an alleged state cover-up.

The allegations, which include the present interior minister, Mr Nicolo Mancino, and indirectly touch on President Scalfaro, may be deliberate disinformation. However, their impact, far from intimidating the president and prime minister, may only serve to stiffen Mr Scalfaro's resolve to call elections as soon as possible.

Wibble sees signs of life in ailing Swedish economy

Figures are starting to add up for tough-minded finance minister, writes Hugh Carnegy

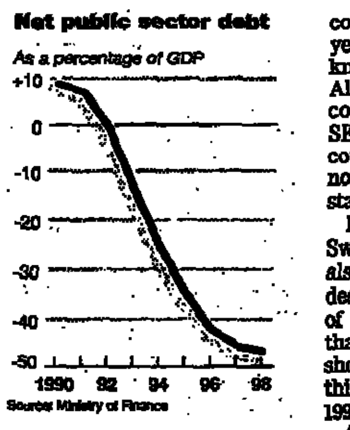
Mrs Anne Wibble, Sweden's finance minister, is a plain-speaking politician who has pulled few policy punches as she has battled her way through two years of economic crisis. With a deficit still of towering proportions, she has little room to offer relief when she announces her 1994-95 budget today.

But the dour Wibble demeanour of the past is likely to give way to a more upbeat message. As a general election looms in September and with the economy at last showing signs of revival, the right-centre coalition is anxious to show that its market-oriented medicine is beginning to work a cure on the deepest recession Sweden has suffered since before the second world war.

According to finance ministry figures leaked last week, the economy is reckoned to have shrunk by 2 per cent last year, not the near 3 per cent forecast last October. The ministry predicts gross national product growth of 2.4 per cent this year against its previous estimate of 1.9 per cent.

Sharply improved competitiveness, stemming from a 25 per cent fall in the value of the Swedish krona last year and significant improvements in productivity, has given a shot in the arm to export-oriented manufacturers. As a result, the new figures show industrial production rose in 1993 by 2.7 per cent and will grow by 8.5 per cent this year; exports are set to rise by more than 10 per cent this year after a 7.4 per cent surge in 1993, and the current account is expected to move into surplus.

Net public sector debt



The government can also point to other positive trends. Interest rates have fallen steadily to around 5 per cent, producing, among other effects, a dramatic improvement in the performance of commercial banks which a year ago were brought to their knees by a spate of loan losses. Although the bank crisis has cost the taxpayer some SKr90bn (£7.3bn) in bail-out commitments, there should now be no more calls on the state coffers.

Inflation, the bugbear of the Swedish economy in the 1980s, also seems to be under control, despite the heavy devaluation of the krona. It rose by more than 4 per cent in 1993 but should be about 2.5 per cent this year and remain steady in 1995.

All this has given the government, led by Mr Carl Bildt's conservative Moderates, grounds for proclaiming that its market reform policies have laid the basis for a sustained recovery through to the end of the century. But it still faces an uphill battle to rebuff the claim by the opposition Social Democrats that this rosy prediction ignores the deep malaise still afflicting the domestic economy.

Above all, the export-led upturn has made no impact on record levels of unemployment, which pose the biggest threat to the government. In less than four years, the proportion of the workforce on the dole or in state training schemes has risen from around 5 per cent to 14 per cent. At best, only a marginal reduction is expected this year.

Most of the output gains in the export industries are being made through improved productivity, while the domestic sector continues to be suppressed by low private consumption and the deficit-driven squeeze on public spending.

Private consumption, which accounts for 55 per cent of GNP, shrank by some 4 per cent in 1993, and is expected to show only marginal growth this year. Net investment is predicted to contract by around 7 per cent this year after a fall of 14 per cent last.

Meanwhile, unemployment costs especially have thwarted the government's efforts to control the budget deficit, which autumn forecasts predicted would reach 15 per cent of GNP in the current June-July budget year. Central government debt has shot up to more than SKr1,000bn (£81.3bn), or about 70 per cent of GNP, from about SKr600bn in 1990. Despite some hefty cuts in public spending programmes, the public sector still accounts for around 70 per cent of GNP in Sweden.

The Social Democrats, warning of a "debt trap" if there is not a speedy return to growth and a fall in unemployment costs, have called for a demand stimulus to kick-start the domestic economy. They suggest a cut in value added tax and delays in other planned tax increases.

But Mrs Wibble (who belongs to the Liberal party) has insisted there is no room for a fiscal stimulus. As much as she and Mr Bildt would dearly love to cut the tax burden, the finance minister insisted in an interview in December that curbing the deficit remains the priority, even in an election year.

Newspaper reports have warned of more cuts in welfare benefits today to help get the borrowing requirement back on a downward curve.

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US in BCCI deal with Abu Dhabi

By George Graham in Washington

The US has reached a deal with Abu Dhabi that settles some of the counterclaims on the assets of the collapsed Bank of Credit and Commerce International and gives US prosecutors access for the first time to a key BCCI executive.

Representatives of the US Justice Department, the New York district attorney and the Federal Reserve Board, as well as trustees for First American, the US bank illegally controlled by BCCI, agreed to drop a civil lawsuit against Sheikh Zayed bin Sultan, the ruler of Abu Dhabi and BCCI's majority shareholder.

They also agreed not to pursue any criminal charges against Sheikh Zayed.

The charges have provoked a diplomatic controversy, with Sheikh Zayed claiming sovereign immunity.

In exchange, Abu Dhabi agreed to give up claims on \$400m (£270m) lent to the money-losing First American, and its 28 per cent stake in the Washington-area bank, and to make available to US prosecutors Mr Swaleh Naqvi, the second-ranking manager of BCCI, who has been under house arrest pending charges in the Gulf emirate.

According to a report in the Washington Post, the \$400m recovered under the deal will be split between the US government and BCCI depositors, with some of the money used to provide severance pay to First American employees and some to pay for the continuing civil law suits brought by First American's trustees against other defendants.

The Justice Department refused to comment on the details of the settlement, but Mr Philip Heymann, deputy attorney-general, called it a "remarkable agreement in terms of what we have succeeded in getting".

US and New York prosecutors have failed ignominiously in their efforts to pursue the fallout from BCCI's failure in 1991. Mr Robert Altman, a Washington lawyer who was accused of serving as a cat's paw for BCCI in its takeover of First American, was acquitted by a New York jury on charges of bank fraud, and similar charges against Mr Clark Clifford, the former US defence secretary and Mr Altman's partner, were dropped.

Prosecutors have claimed that their inability to question Mr Naqvi, the top assistant to BCCI's founder, Mr Agha Hassan Abedi, has impeded their efforts.

● The United Arab Emirates has issued a formal summons to bring Mr Abedi to trial for his alleged role in the bank's failure, Reuter reports from Abu Dhabi. Mr Abedi, 71 and in ill health, is believed to be living in Karachi. He and 12 other former executives of the bank he founded in 1972 face charges and civil suits worth up to \$10.2bn in Abu Dhabi.

Trade negotiators face hectic three months

Structure of the World Trade Organisation must be agreed, writes **Frances Williams**

Although the Uruguay Round of global trade talks formally ended on December 15, trade negotiators returning to Geneva this week after the Christmas break have a busy agenda in prospect.

In the next three months they must decide on the structure, membership and work programme of the World Trade Organisation, the body which will police fair trade rules and implement the results of the Round. Recommendations will be put to ministers when they meet in Marrakesh on April 12-15 to sign the Uruguay Round accords.

It is already accepted that work on the link between trade and the environment will feature strongly in the work programme. But the nature of that work has yet to be agreed and big differences remain between rich nations and poorer countries who fear environmental concerns will be used as a pretext for trade protection.

Other issues jostling for the WTO's attention, such as competition policy, worker rights and currency movements, are also likely to be contentious.

Ministers will also be asked to approve transitional institutional arrangements for transforming the General Agreement on Tariffs and Trade into the WTO, which will come into effect with the rest of the Uruguay Round by July 1995.

These arrangements, which are likely to include the setting up of an interim committee for the WTO, will mean more staff and money, but Gatt officials insist extra demands will be modest.

In addition, ministers must decide on WTO membership and, in particular, what to do about countries applying to join Gatt which want to become original members of the WTO. Of these, the most important by far is China.

Trade officials will also be using the coming weeks to complete country tariff schedules. For most countries this will simply be a matter of formalising what has already been negotiated, but substantive talks are continuing on textiles tariffs and between the European Union and Latin American banana exporters.

Countries have until February 15, when all draft final tariff schedules must be in, to negotiate improved offers. But they cannot withdraw concessions already made unless trading partners fail to deliver their part of the bargain.

Meanwhile, the Gatt secretariat has until the end of March to check the tariff and services schedules for consistency, and tidy up the Uruguay Round texts ready for endorsement in Marrakesh.

Trade negotiators must also try to reach agreement in several areas where they failed to meet the December deadline. The most pressing is completion of talks on a Multilateral Steel Agreement, which the US would like to tie up before April. A renewed attempt to agree a revised Gatt code on subsidies for civil aircraft is planned to conclude by the end of this year.

Talks on liberalising trade in four key services sectors will also continue this year. Negotiations on financial services will kick off later this month when the US and Japan hold talks under their bilateral negotiating framework.

Negotiations on labour services, shipping and basic telecommunications are due to start within a month of the Marrakesh meeting. Talks on financial and labour services must conclude in 1995 but those on shipping and telecommunications will run into 1996.

Finally, just to ensure that trade officials are not left twiddling their thumbs, a new set of negotiations is already programmed for the start of the WTO in 1995. To take just one example, the Uruguay Round commits countries to initiate work on common standards for professional services, beginning with accountancy.

Scandal strikes at pinnacle of Brazil's national life

By Angus Foster in São Paulo

As if Brazil did not have enough trouble sorting out its huge economic and political problems, scandal last week hit the pinnacle of national life when Rio de Janeiro's football federation fell to pieces.

Three of the city's most famous teams, Flamengo, Fluminense and Botafogo – names which recall as many past glories as Europe's Liverpool or AC Milan – quit the Rio federation and announced plans to set up a rival championship. "It's too late now, we can't go back," announced Botafogo's president, Mr Carlos Montenegro.

There had been rumblings of discontent from several club presidents for many months as allegations of corruption and mismanagement swirled around the Rio game. But the crisis hit in mid-December when the Rio-based newspaper, O Globo, published allegations from three referees that the Rio federation was planning to fix matches in this year's state championship, one of the most prestigious annual competitions.

According to the referees, who repeated their allegations in hearings this week, officials from the Rio federation told a meeting of about 70 referees early in December that some results should be decided "in line with" the federation's wishes. They were told of a special "Rule 18," even though the rule book only contains 17 orders, which calls for referees to act in the federation's interests.

Claiming the Rio championship was no longer credible, the three clubs announced plans to split. They have now started talking about inviting leading teams from the states of Minas Gerais and Espirito Santo to start an "Eastern League".

All of this has left the Rio federation facing the prospect of farcical state championships in which only one of its four main teams is still involved. The federation's leaders are also being investigated by the state sports body and even the Rio legislature.

Mr Eduardo Viana, federation president, has spent the last week dashing around Rio trying to avoid the press and has refused any comment. Described even by his advisers as a "poor communicator," he was quoted recently as saying: "I hate public opinion. The people could all be shot with machine-guns for all I care."

Optimists among Rio's football fans say the current problems could lead to a long overdue professionalisation of the game, which is rife with cronyism.

Mexico City hit by four bombs as uprising spreads

By Damian Fraser in Mexico City

Four bombs exploded in Mexico City over the weekend, and a hand grenade was tossed at a government building in the Pacific resort of Acapulco, in further signs of an extension of last week's uprising in the southern state of Chiapas.

A group claiming to represent a previously active urban subversive movement, known by its Spanish initials Procup-PDLP, told news agencies it was responsible for three of the attacks. A man claiming to represent the movement told the Italian wire service Ansa that it was acting in "solidarity" with the self-described Zapatista Army of National Liberation which led the new year uprising in the southern state of Chiapas.

The Mexican government has linked the Zapatistas with Procup, and said it has found its propaganda in the Zapatista camps. Another caller, claiming to represent the Zapatistas, claimed responsibility for the first of the bombs.

There were no deaths or injuries reported, and Procup, as is its custom, appears to have chosen its targets to cause material damage. The first car bomb, early on Saturday morning, destroyed a car park and damaged nearby shops. Another bomb exploded near a military base in the district of Naucalpan, and two others were planted next to an electricity tower in the district of Cuautitlán.

In Chiapas the army continued to seal off the conflict zones as soldiers hunted for the Zapatista rebels. The search is taking place in the hills around San Cristóbal de las Casas and other towns which the rebels seized earlier last week. Around 100 people have already died in the uprising, according to official figures.

The government has released the most detailed description yet of the rebel movement, which described their methods of recruitment, organisation and training. It reiterated that "this is not an indigenous movement nor is it peasants' action. It is the work of professionals manipulating the disaffected and those who have suffered from recent adverse economic conditions."

The Attorney-General's Office has concluded that of the 30 bodies found in the town of Ocosingo, four had been executed at close range. However, it said that three of them were shot with rifles not used by the Mexican army, ruling out the possibility, in its view, of army responsibility.

It said an investigation would continue to determine who was responsible. The bodies appeared to be those of Zapatista rebels.

Japanese politician named in bribe case

Japan's former trade minister, Mr Seiroku Kajiyama, a senior figure in the once-dominant Liberal Democratic party, is the latest politician to be linked to a bid-rigging and bribery scandal, according to the daily Asahi Shimbun newspaper, Reuter reports from Tokyo.

Mr Kajiyama allegedly took Y10m (£60,000) from Mitsui Construction in exchange for helping it win a public works contract in his home region. Asahi, quoting government sources, said state prosecutors were tipped off about Mr Kajiyama's alleged involvement during their questioning of former regional governor Mr Fujio Takeuchi, who is on trial on charges of taking bribes from four big contractors to help them win public works contracts.

Mr Kajiyama's office allegedly contacted Mr Takeuchi, then governor of Ibaraki north of Tokyo, to urge him to select Mitsui as one of the contractors in a Y25bn government dam project in Ibaraki.

G7 jobs summit set for March

The Group of Seven jobs summit, planned for last autumn, is expected to take place in Washington on March 14 and 15, writes David Goodhart.

The summit has been scaled down from US President Bill Clinton's idea of a gathering of prime ministers and presidents of the seven wealthiest industrialised countries. Mr Clinton himself is expected to make only a brief visit.

Nigerian budget postponed

Nigerian military ruler General Sani Abacha postponed his announcement of the country's 1994 budget on Saturday, but a senior official said the announcement would come soon, Reuter reports from Lagos. Gen Abacha, who seized power on November 17, moved his government from Lagos to Abuja on Friday, and was due to broadcast the budget from there on Saturday. But he was still holding consultations with military officers on Saturday, according to an official.

Party leader hunt in Norway

Norway's opposition Conservative party, which vigorously supports Oslo's application to join the European Union, is searching for a new leader after the weekend announcement by Mrs Kaci Kullmann Five that she will step down in April, writes Hugh Carnegy from Stockholm.

A distressed child is carried by his father from the bush fires surrounding their North Shore home, about 15km from central Sydney *Associated Press*

SYDNEY HOPES FOR RAIN AS FIRES RACE INTO SUBURBS

Cooler weather late yesterday offered some hope that Sydney might soon win its four-day battle against fires which have destroyed more than 150 homes and killed four people, Reuter reports from Sydney.

But weather forecasters said Sydney would not see rain until Wednesday or Thursday. "Until we get rain, the situation remains on a knife edge," said Richard Whitaker, a meteorologist.

Firefighters were last night planning a massive, and risky, control burning along a 50km line in the Blue Mountains west of Sydney, in an effort to contain Australia's worst fire crisis in 200 years. But as night fell, wind shifts saw hundreds more residents evacuated from southern and northern suburbs.

On the edge of the Royal National Park, firemen evacuated more residents as a huge fire raced towards the outlying southern suburb of Waterfall. Helicopters were also water-bombing flames at the semi-rural Oxford Falls in Sydney's north, while nearly 300 elderly people were evacuated in Belrose after fires broke out in the surrounding Garigal National Park.

However, the blaze in the Ku-ring-gai Chase National Park, which had threatened several suburbs, was slowing, and in Sydney's southern suburbs of Jannali and Como fires were suppressed but not contained, firemen said.

About 7,500 firemen, backed by military units, are fighting 120 fires across New South Wales. Many of the fires have been lit by arsonists.

Palestinian peace support slips

By Julian Ozanne in Jerusalem

Israel's military officer in charge of the occupied West Bank and Gaza Strip yesterday gave the cabinet a grave assessment of disintegrating Palestinian support for the peace agreement and deteriorating economic conditions in the territories.

Major-General Danny Rothschild told the government that Palestinian opposition to the peace accord was growing daily with the delay in implementing the agreement and the worsening economic situation. At the same time, Palestinian sources reported that three more members of the main Fatah faction of the Palestine Liberation Organisation had resigned their committee posts in protest at the way the PLO was being run.

Gen Rothschild's warning came hours before Israeli and Palestinian negotiators were due to resume peace talks in the Egyptian Red Sea resort of Taba. Both sides differed widely yesterday about how long it would take to agree an Israeli troop withdrawal from Gaza and the West Bank area of Jericho.

Mr Nabil Shaath, chief Palestinian negotiator, said he believed the two sides could reach agreement within three weeks. However, Mr Yossi Sarid, Israeli minister of the environment, said after yesterday's cabinet meeting he thought the talks could last six to eight weeks.

"We are happy the Taba talks are resuming but we hope the Palestinians will understand this time that time is critical and we won't make concessions on security," Mr Sarid said.

Implementation of the accord has already been delayed four weeks as the two sides failed to reach agreement on three outstanding issues: control over borders, the size of the Jericho area and security for Jewish settlers who will continue to live in Gaza-Jericho.

Mr Shaath said over the weekend the two sides had reached broad agreement on many issues such as the schedule of Israeli troop withdrawal; the composition, size and deployment of the Palestinian police force; and the security co-ordination for borders and roads. The remaining issues, he said, could be settled in a similar process of compromise.

Meanwhile, B'Tselem, Israel's leading human rights organisation, yesterday slammed both the government and the PLO for civil rights abuses in Gaza. It criticised the government for recruiting up to 5,000 Arab collaborators in contravention of international law. It also accused the PLO of supporting groups that had tortured and executed up to 950 Arab collaborators in six years.

France wins $2bn Saudi arms deals

By John Ridding in Paris

France and Saudi Arabia have agreed to establish a joint committee to discuss commercial co-operation and finalise industrial and armaments contracts worth an estimated $2bn (£1.34bn), after a visit to Riyadh by Mr Edouard Balladur, the French prime minister.

French officials said the two-day visit, which ended yesterday, had resulted in provisional agreements to upgrade four missile-launching frigates and maintain Saudi Arabia's Shahine anti-aircraft defence system and Crotale missile system. The accords could be concluded in the next few weeks, said one French official.

But the French delegation, which included Mr François Léotard, defence minister, Mr Alain Juppé, foreign minister, and Mr Gérard Longuet, industry minister, failed to reach agreement on a contract for three new missile-launching frigates valued at more than $3bn.

French hopes for an agreement on civil aviation made progress, without reaching a final agreement. Mr Balladur's delegation was attempting to encourage Saudi purchases of Airbus aircraft which are manufactured by a European consortium, including Aérospatiale. The consortium is in competition with Boeing of the US to provide airliners to renew the Saudi fleet.

Malaysian hard line on foreigners

Malaysia has launched a crackdown against an estimated 250,000 foreigners who are working illegally in the country, writes Kieran Cooke from Kuala Lumpur.

Dr Mahathir Mohamad, prime minister, said the government would ban recruitment of unskilled and semi-skilled foreign workers until the problem of the illegal immigrants had been sorted out.

The rapid growth of Malaysia's economy in recent years has reduced the unemployment rate to less than 3 per cent and led to serious labour shortages in many sectors. The government says there are 1m foreign workers – one in eight of the labour force – in Malaysia.

Employers in the construction and plantation industries have expressed concern that any wide-ranging moves against foreign workers would lead to serious production shortfalls. On some plantations up to 80 per cent of workers are foreigners, most of them Indonesian or Bangladeshi.

Burma's main rebel group to seek peace

William Barnes reports on why the Karen must drop out of the fighting

The largest remaining guerrilla group in Burma has decided to hold separate peace talks with the government in response to mounting pressure from its traditional backer, Thailand, and a sharp build-up in Burmese armed forces.

The ethnically based Karen National Union (KNU) will tell its colleagues in the anti-government Democratic Alliance of Burma (DAB) of its intention to hold talks with the government at a crisis meeting today in the Karen's jungle headquarters in Manerplaw.

Up until now the Karen has insisted it will only talk to the Rangoon regime as part of a comprehensive political settlement with the DAB – an umbrella organisation of students, exiles and ethnic minorities which the KNU has traditionally dominated.

But Dr Em Marta, head of the KNU's foreign affairs department, said in Manerplaw: "We're in a very tight spot. I don't think any one party on its own could resist the pressure to negotiate."

The president of the KNU, and its military leader, General Bo Mya, said that if the KNU refused to go into the negotiating room alone warfare was likely to break out with renewed vigour, with more than 30 Burmese battalions in place around Manerplaw.

"We want peace but Slorc [State Law and Order Restoration Council] is preparing for war. Every day they are preparing positions around us. I think if we do not play their game then they will start the offensive," said Gen Bo Mya.

A Karen peace move would be a victory for the government's policy of picking off its opponents one by one with separate ceasefire deals: a process which began in 1989 with the collapse of the Burmese Communist party. When China closed the border, the communist remnant was forced to ask Rangoon for food and medicine in exchange for a peace agreement.

Late in 1993 the Kachin Independence Army, Burma's biggest guerrilla group, was also forced into a ceasefire, under pressure from China, to the bitter disappointment of the Karen.

The Burmese army has doubled in size in recent years, receiving over $1bn-worth of arms from China, and is now preparing to swing its full force against the Karen's estimated 6,000 soldiers (the Karen themselves claim 20,000, including part-timers). Apart from the Karen only a few Mon and Karreni guerrillas and students-turned-fighters remain actively hostile to Rangoon.

The Karen have fought the Rangoon authorities since Burma won independence from Britain in 1948 and a commitment to allow minorities to decide their own political future was discarded. They support a federal state, rather than rule from Rangoon, which has historically only sporadically extended beyond the central plain. The Karen now live along the eastern border near Thailand.

Thailand has traditionally welcomed the KNU's resistance to the Burmese government, seeing the group as providing a buffer zone between itself and the unstable and occasionally expansionist Burmese government. But times have changed. And the market imperative of restoring normal relations with its neighbour, as well as Asean's policy of constructive engagement has seen Thailand withdraw its backing for the KNU in recent months.

Thailand, like China, is now eager to do business with the widely-reviled regime, which has been condemned by the United Nations for murdering many of its civilian population and for ignoring a 1990 general election which saw overwhelming support for a democratic opposition party.

The Thai's are also worried that if fighting escalates thousands more civilians could pour over the border to join more than 70,000 refugees from Burma.

This shift in position has seen an end to not only Thailand's own provision of weapons and ammunition, but also the end of its blind eye to the involvement of Thai brokers in the buying and selling of arms between Cambodia and the KNU. The insurgency would quickly collapse if ammunition supplies were cut off.

To drive the point home Thailand has refused to allow key members of Burma's Manerplaw-based government-in-exile, including the prime minister, Mr Sein Win, to pass through Thai territory after a visit to Washington.

Few of the regime's critics believe the current ceasefires will lead to lasting peace. The government is taking the opportunity to put a new constitution in place, to be nominally agreed by a convention of hand-picked delegates which has met sporadically for the last year. It is expected to formalise the role of the military in government.

INTERNATIONAL PRESS REVIEW

FRANCE

"A power is born", declared **Le Monde** on the launching of an independent Bank of France last week. "It is a landmark in French finance", proclaimed **L'Agefi**, the business daily.

Le Nouvel Economiste, the influential weekly, even designated the nine members of the new monetary policy council, appointed last week, as "the guardians of the franc".

But there were dissenting voices from the broad consensus on the importance of the event. "The real significance is without doubt less than is claimed" said **Le Quotidien de Paris**, the right-wing daily, in an editorial. Most of the council's powers would be superseded by the European central bank, the paper argued. And until then, the absence of powerful representatives from industry and agriculture was a real limitation: "The sages risk being a little disconnected from economic life."

Most of the media, however, applauded the selection of the six lay members who will sit alongside Mr Trichet, the governor of the central bank and his two deputies. "A council of strong personalities" was the description offered by **La Tribune Desfossés**, the financial daily.

Like most of its counterparts, the paper argued that the council represented a welcome diversity, with members drawn from journalism to insurance. It was also a pro-European council, unlikely to rock the boat by changing course from the government's cautious and relatively tight monetary policy.

Some concerns were voiced about the granting of control over monetary policy to a non-elected body. But, as **Liberation**, the liberal daily, concluded, the reform was above all pragmatic. Paraphrasing Deng Xiaoping, the Chinese leader, it asked: "What does it matter if the cat is grey or black, as long as it catches the mouse?"

ITALY

Italian papers have had a bonanza since the new year reporting the chaos in pharmacies following the introduction of complex new rules on drugs sales.

The strong human interest element of a rule change which has seen sick patients queueing outside chemists' shops only to be turned away because they lack a prescription has even knocked the political corruption scandal out of the papers for a few days.

Both **La Repubblica**, the best selling daily, and **Corriere della Sera**, of Milan, carried interviews with Mrs Maria Pia Garavaglia, health minister, in which she made a spirited defence of the reforms, aimed at reducing over-prescription and saving money on Italy's huge annual drugs bill. In particular, she criticised the media for exaggerating the impact and inconvenience of the new rules.

Her accusations did not, however, curb the space devoted by the newspapers to the grievances aired by pharmacists, doctors and representatives of big drugs companies.

The result was a virtual free-for-all, in which each group threw mud at the other, and they all threw mud at the Health Ministry. **Il Sole 24 Ore**, Italy's leading business newspaper, gave ample space to industry spokesmen castigating the government for its ineptitude and issuing dire warnings about the consequences of the reforms for drugs companies.

But in the more popular press, the human interest angle, focused on the need from January 1 for prescriptions for many medicines that could previously be bought without a doctor's authorisation, eclipsed the industrial story. Most papers focused on horrific tales of haemophiliacs or Aids-sufferers turned away from chemists' shops because their medications were no longer available without a prescription.

Again and again, their plight was confused with the simultaneous reform of the free medicines list. As a result, stories also abounded of patients seeking familiar drugs, previously sold at the token price of L5,000 (£2), at their full retail value.

MEXICO

The ability of the Mexican government to control the press was tested to the limit last week, as armed rebels in the southern state of Chiapas took over several towns and attacked soldiers in their barracks.

In the first days of the uprising, the newspapers were filled with images of the uprising, interviews with guerrillas, eyewitness accounts of army bombings of supposed guerrilla strongholds, and descriptions of the deaths of rebels and civilians in shoot-outs.

But by mid-week the government seemed to have had enough of the battle-line descriptions, and the army cut off main routes to the conflict areas. From then on the news was dominated by government press releases and pronouncements by political leaders.

On Thursday most papers led with the government's terms for peace: a demand for unconditional surrender; on Friday with President Salinas's promise to consider pardoning Indians who co-operated with the government; and on Saturday with the interior minister's reiteration that rebels were violent extremists who manipulated Indians to join them.

Developments in the conflict, the number of rebels, their long-term threat to national security, and army tactics in restoring order were generally given less importance.

Editorials, with some exceptions, toed the government line. **Excelsior**, the establishment newspaper, even concluded, in language remarkably similar to the government press release, that the rebels were "run by true professionals of violence that only exploit the conditions of poverty of the Indians and use them to damage Mexico. Their objectives, above all, are far from the demands and interests of the community".

However, more independent newspapers such as **La Jornada** and **El Universal** called on the army to respect the human rights of Indians when putting down the rebellion. Carlos Fuentes, the novelist, said in La Jornada that the uprising was provoked by the misery in which most of Mexico's Indians lived. "The Mexican political and economic system, unjust and anti-democratic, is co-responsible for the explosion," he concluded.

PAKISTAN

Last week's fight among members of the Bhutto family, on the anniversary of the birth of Mr Zulfikar ali Bhutto, the late prime minister, triggered speculation in Pakistan's press about the government's future, amid almost united condemnation of the scrapping.

The killing of a civilian in police firing outside al-Murtaza, the family's ancestral home, in the southern city of Larkana, and the subsequent vitriolic accusations by Mrs Nusrat Bhutto against her daughter, Prime Minister Benazir Bhutto, received front page coverage in local papers. But the national dailies ran editorials urging the two sides to resolve their differences. "If this situation continues unchanged, the government will face such a great damage which even its worst enemies have not been able to inflict so far," said **Jang**, the best-selling Urdu daily.

"The family feud has now assumed alarming proportions, and even if if does not pose a serious threat to Benazir Bhutto's political authority, it is bound to distract her emotionally from her job as the country's prime minister", said the opposition-supported **The Nation**.

The largest circulation English-language newspaper, **Dawn**, warned that "a leadership crisis of this magnitude cannot remain confined" to the ranks of the ruling PPP (Pakistan People's party). It was bound to have wide-ranging political and administrative repercussions, the paper said.

But it was left to **The Muslim** of Islamabad to point to the irony that "the last nail in the coffin of party unity may have been hammered over the founder's grave site".

Reports from John Ridding, Haig Simonian, Damian Fraser and Farhan Bokhari

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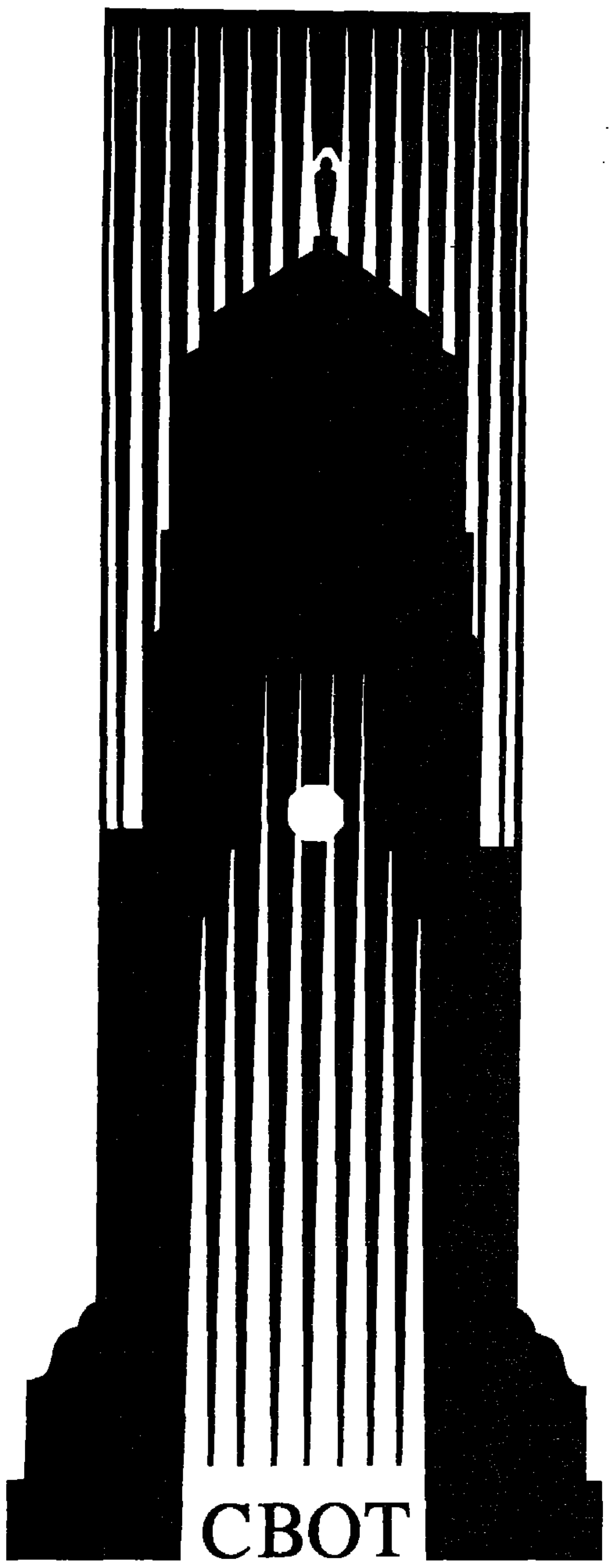

THE WORLD'S LEADING FUTURES EXCHANGE

Sinn Féin toughens stance over Ulster

By Kevin Brown, Political Correspondent

The prospects for peace in Northern Ireland appeared to be receding yesterday after Sinn Féin toughened its terms and Mr John Major, prime minister, again refused republican demands for "clarification".

In a toughly worded interview Mr Gerry Adams, Sinn Féin president, ruled out a unionist veto on constitutional change, and demanded British action to "persuade" unionists to accept Irish unity.

Mr Adams told the Observer that "the unionists will not move, and we cannot expect them to move, until the British persuade them to. They have no right of a veto over any policy."

His comments suggest a hardening of the Sinn Féin response to the Anglo-Irish joint declaration on Northern Ireland, which gives the unionists an explicit veto on constitutional change.

However, Mr Adams also acknowledged that a united Ireland could not be achieved without the participation of the unionist majority in Northern Ireland. "We can't move without them," he said.

In a separate statement issued in Belfast, Mr Adams repeated demands for "clarification" of the joint declaration, which offers Sinn Féin a place at the negotiating table within three months of a permanent IRA ceasefire.

The statement said Mr Major's refusal to clarify the declaration was "an abdication of his responsibilities and a clear indication that he has no real commitment to building the peace process".

It said Sinn Féin was prepared to "assist" Mr Major to bring about peace. "The sooner he stops play-acting and stringing this out, the sooner we can all move towards an end to conflict and towards a new beginning."

Downing Street said a letter setting out Sinn Féin's request for clarification had not been received. But Mr Major made clear that no clarification of the agreement would be offered.

Mr Major told Sir David Frost on BBC television that he was prepared to wait "for a little while" for a definitive republican response to the joint declaration. But he said the government would not be "drawn into negotiations by the back door" by responding to questions from Sinn Féin in advance of a permanent IRA ceasefire.

"What at present is going on is that they are seeking to muddy [the] issue, to enter into negotiations effectively without giving up violence," he said.

Mr Major said the three-stranded talks process between London, Dublin and Belfast, which began in 1992, would be intensified whatever Sinn Féin's response to the joint declaration.

Mr Major is expected to meet Mr John Hume, leader of the moderate nationalist SDLP, although no date has yet been set.

Consumer and business credit figures advance

By Daniel Green

UK consumer and business credit leapt ahead in November in spite of the uncertainty generated by the Budget, figures from two credit monitoring organisations indicate today.

Yet the rise may not feed straight through to rising consumer spending because credit is increasingly being used as a substitute for cash, warns one of them, the Finance and Leasing Association.

Total consumer credit in November increased by 35 per cent to £1.17bn compared with the corresponding month a year previously, says the association, the industry's main trade body.

The jump is the highest since the recession began and an increase of 8 per cent on October. Total business credit rose by 25 per cent on November 1992 to £911m.

In the three months to November, consumer credit rose by 30 per cent and business credit by 28 per cent compared with the same period a year earlier.

Within the total consumer figure, the sharpest rise was seen in the motor sector, reflecting a rise in car sales from the depressed levels of 1992.

Credit to consumers buying new cars through dealers in November rose 66 per cent to £233m, compared with the same month in 1992. For used cars the rise was 29 per cent. Both figures were slightly lower than for October.

Business finance for cars gained 69 per cent to £458m in November compared with the corresponding month in 1992, although this was a 14 per cent decline on the month before.

In consumer goods, the figures suggest a sharp rise in buying of expensive items such as refrigerators and televisions. Store instalment credit rose 80 per cent to £106m, a much sharper rise than for store cards used for both cheap and expensive goods where the gain was 15 per cent to £320m.

The rising value of items bought is also reflected in figures from Infolink, the organisation which measures the number of credit inquiries rather than the total amount borrowed. Credit inquiries at finance houses, which typically offer larger loans on expensive items, were up 9.1 per cent.

Video games still score in toy war

By Ian Hamilton Fazey

The market for toys in the UK grew last year by at least 15 per cent to £1.87bn, according to latest industry estimates released yesterday at the Harrogate International Toy Fair.

Video games are now put at 40 per cent of the total, with sales growth more than trebled in two years and contributing the main driving force in expanding the total toy market by 78 per cent since 1991.

However, industry leaders now believe sales of video games are slowing as the market for the hardware they are played on matures – and as parents rebel against the solitary or two-players-only nature of the games. Video games sales for 1993 are none the less expected to top £750,000, compared with under £240,000 in 1991 but about £650,000 in 1992.

"Activity" toys, such as snooker or darts, are second in popularity, with likely sales of £244,000 last year, or 13 per cent of the market. Games and puzzles came third at £174,000, or 9.3 per cent.

"Board games have come back very rapidly in 1993," Mr Graham Scott, who organises the Harrogate Fair for the industry, said yesterday. "They lost out for while, but video games cannot be played by whole families. Board games can – and appear to have done well this Christmas."

Dolls and their accessories continue to hold a strong fourth place with near-50 per cent rise in sales over two years. A rapidly developing segment, however, is "plush", a cheap, synthetic fur which is enabling teddy bears and other cuddly toys to get bigger and bigger.

Plush product sales are growing thanks to cheap labour in China, where high-quality, mass-produced plush from Taiwan or South Korea is being turned into teddies by the million. Prices of plush bears range from £1.99 to £60.

"It means you can now have ranges of bears, with limited editions and a wide choice of options on size to make them more collectible," Mr Les Vargerson, managing director of Agenta Marketing of Market Harborough, said.

He is the UK agent for Althans, which although based near Coburg, in Germany, has more than 500 employed in Hong Kong and China. It is now one of Europe's leading specialists in Asian-made *Plüschtierfabrik* bears.

The Harrogate fair – which finishes on Wednesday – kicks off 1994's worldwide toy industry round of trade shows. It usually attracts about 8,000 potential buyers, importers and exporters.

London, at the end of this month, followed rapidly by Nuremburg, Paris, Milan, Valencia, Montreal and New York, will decide what happens next Christmas, when 70 per cent of toys are bought.

Mike Arron

Traditional toys and cartoons side by side at the Harrogate show

Britain in brief

Public sector pay 'to rise' despite freeze

Most UK public sector workers could get pay rises in 1994-1995 of between 1 and 3 per cent despite the government's public sector pay bill freeze.

An informal Financial Times survey of senior public sector managers found most confident that they could offer a pay rise at or above the rate of inflation through efficiency savings and job shedding.

This is true in local government, where a pay rise of 2 to 3 per cent is being pencilled in, and the civil service, where around 2 per cent is expected.

The government announced in September a pay bill freeze for 1994-1995. The November budget extended this to 1997. The freeze does not mean that the 5m public sector workers will get no pay rise, but that any increase must be paid for by improved productivity or reduced staff.

Optimism on oil prices

Oil prices will recover to about $18 a barrel by the end of the year from $14 in the first three months and provide a boost for the sector, according to NatWest Securities.

The securities company's oil and gas research team, one of the most respected in the sector, believes the recovery will come even if Oman fails to persuade a group of countries not affiliated to the Organisation of Petroleum Exporting Countries to cut output.

It says the recent squeeze in the oil market will ease in the second half of the year as demand for Opec oil is aided by the recovery of economies. A slow-down in North Sea production will also help.

NatWest believes the recovery would be sooner if Oman's initiative persuaded Opec to bring forward its scheduled March 25 meeting to early next month.

Holiday price war continues

The holiday price war among UK travel agents enters its third week today in spite of industry expectations that it would end last Saturday.

The two largest chains say they intend to continue offering discounts of 11 per cent. Lunn Poly, the largest retail chain, said the 11 per cent discounts would apply to all summer 1994 holidays. The chain would also offer reductions of up to £200 on winter holidays. Going Places, the second largest chain, said it would match Lunn Poly's discounts.

Boost for property market

The scale of the recovery in the commercial property market was underlined yesterday by figures showing returns from property of 18.6 per cent in 1993. Capital values grew by an average of 10.2 per cent.

These estimates, by Richard Ellis, a firm of chartered surveyors, reveal a sharp improvement on the previous year when commercial property made negative returns of 2.1 per cent. The office sector made the greatest improvement, moving from a 1992 return of -5.4 per cent to just under 20 per cent.

Floods 'could cost £100m'

The damage resulting from flooding across southern England could cost up to £100m, a firm of loss assessors said yesterday as the south and other areas prepared for rain throughout the week.

Mr Justin Balcombe, of loss assessors Balcombe Group, said the total cost of the flood damage greatly exceeded the costs covered by insurance. The Association of British Insurers has estimated claims at between £20m and £60m.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Apollo Metals Cnv. Red. Prf. 4p
Business Post 1.2p
Cape 3p
Cleveland Place 6% Red. Deb. 89/94 £1.430136
Do. 10½% Red. Deb. 90/95 £2.934246
Eksportfinans 10% Nts. '96 $500
Estates & Agency 9p
European Colour 0.35p
Japan Air. 6.9% Bds. '01 Y690000
Kobe Steel 6.9% Bds. '01 Y690000
Do. FRN's '96 Y67500
Kubota 6.9% Bds. 2000 Y690000
Lothbury Fdg. No. 1 Class A1 Mtg. Bkd. FRN's 2031 £1715.62
Do. Class A2 Mtg. Bkd. FRN's 2031 £1770.96 £1770.96
Do. Class B Mtg. Bkd. FRN's 2031 £1992.33
Mansfield Brewery 1.25p
Metropolitan Est. & Prop. Intl. NV Gtd. FRN's '95 Y177604
Morris (Philip) $0.65
Onoda Cement 7% Bds. '99 Y700000
Oriel 2p
Pacific Gas & Elect. 12% Debs. '92/2000 $120
Parkland Textile 2p
Do. A NV 2p
Peoples Construction Bk. China FRN's '98 $205.56
Do. FRN's 2000 $210.69
Policy Portfolio 1.5p
Rolls-Royce 2p
Scottish Value Tst. 0.95p
Skandia Cap. AB Gtd. FRN's '95 $931.42
Takashimaya 5.6% Bds. '01 Y560000
TR Property Inv. Tst. 0.4p
Vibroplant 1.22p
Warburg (SG) Cap. BV FRN's '06 $187.29
Warner Howard 2.27p

■ TOMORROW
Diploma 8.5p
European Motor 1.725p
Fluor Corp. $0.13
Henderson Admin. 12.5p
Leo 1 Class B Mtg. Bkd. FRN's '35 £2147.26
MMT Computing 2.75p
VTech Hldgs. (London Reg.) $0.01
Do. (Bermuda Reg.) $0.01
Wellcome 12.5p

■ WEDNESDAY JANUARY 12
Caisse Francaise de Devl. 12¼% Gtd. Ln. '13 £306.25
Clyde Blowers 8p
Collateralised Mort. Secs. No. 11 Class B Mtg. Bkd. FRN's '28 £196.92
Conv. 9% Ln. '11 £4.5
Do. 9½% Ln. 2001 £4.75
CSR A$0.12
F & C Emerging Mkts. Inv. Tst. 0.27p
Hewlett-Packard $0.25
MBE Finance NV Sers. B Gtd. Dual Basis Bds. 2002 $201.89
Nissho Iwai 3.9% Bds. '98 Y101833
Property Partnerships 2.6p
Safeland 0.6p
Sims Food 2p
Standard Chart. Und. Prim. Cap. FRN's $183.09
Do. Und. Prim. Cap. FRN's Sers. 4 $186.56

■ THURSDAY JANUARY 13
Bradford & Bingley Bldg. Soc. FRN's '97 £150.1
Do. FRN's 1998 £151.23
Commonwealth Bk Australia Und. FRN's $186.56
Gleeson (MJ) 9.4p
Highland Distilleries 5p
Hongkong & Shanghai Bkg. Prim. Cap. Und. FRN's $44.72
Kwik Save 12.9p
Marine Midland Fin. NV Gtd. Sub. FRN's '94 $13.42
Natl. Westminster Bank Prim. Cap. FRN's Sers. A $188.47
Penna 1p
Shani 3.5p
600 Group 0.5p
Smith (J) Ests. 1.55p
Tams (John) 1.6p
Vistec 0.125p

■ FRIDAY JANUARY 14
AG Hldgs. 2p
Anglo American Corp. of SA R0.95
BNarlow Rand R1.19
Bett Brothers 1.5p
Bourne End Props. 0.75p
British Inv. Tst. 2p
Caffyns 5p
Castings 1.55p
Cropper (James) 1.1p
Dart 1.3p
East. Transvaal Cons. Mines R0.06
Funding 3½% 99/2004 £1.75
Hadleigh Inds. 0.5p
Hartebeestfontein Gold Mng. R0.75
Hogg Robinson 2.75p
Ingham 1.75p
In Shops 0.7p
IWP Intl. R3.25
Jarvis Porter 1.65p
Johnson Fry Utilities Tst. 1.6p
McKechnie 9.75p
Mcleod Russel 3.35p
Morgan (JP) $0.68
NEC 6.8% Bds. 2000 Y680000
Neepsend 0.5p
Paramount Comms. $0.2
Premier Group R0.4
Quaker Oats $0.53
Royal Tst. Gov. Secs. Fd. Ptg. Red. Prf. 1.1p
RPC 1p
Southnews 0.95p
Spandex 2.1p
Stagecoach Hldgs. 1.5p
Tiger Oats R0.54
Transtec 1.3p
Treasury 13% 2000 £6.5
Zandpan Gold R0.12

■ SATURDAY JANUARY 15
Agricultural Mort. 5½% Deb. 93/95 £2.75
Do. 6¼% Deb. 92/94 £3.125
Barclays Bank 12% Uns. Cap. Ln. 2010 £6
Chrysler Corp. $0.2
Churchbury Ests. 4.2% Prf. 2.1p
Edinburgh Inv. Tst. 3¾% Deb. '98 £1.875
Govett Strategic Inv. Tst. 10⅜% Deb. '16 £5.1875
Helical Bar 5¼% Cnv. Red. Prf. 2012 2.625p
Ireland (Rep. of) 9% Gov. Bds. 2001 IR£4.5
LASMO 9⅝% Red. Prf. '96 4.8125p
Lazard High Inc. Tst. 1.6p
Murray Intl. Tst. 3.9% Prf. 1.95p
Next 5¾% Cnv. Bds. 2003 5.75p
North Surrey Water 4% Deb. £2
Do. 4¼% Deb. £2.125
Do. 5¼% Deb. £2.625
Occidental Petroleum $0.25
Pacific Gas & Elect. $0.47
Perkins Foods Cnv. Red. Prf. '05 4p
Quebec Central Rail. Cap. £2.5
Sweden (Kingdom of) 11% Ln. '12 £550
Treas. 9½% Ln. '99 £4.75
Witan Inv. 3.4% Prf. 1.7p

■ SUNDAY JANUARY 16
Anglo & O'seas Tst. 4½% (3.15% net) Prf. 1.575p
European Inv. Bnk. 9% Ln. '01 £225
Treas. 8½% Ln. '07 £4.25

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
MMT Computing, 14 Angel Gate, City Road, E.C., 2.00
McLeod Russel, The Institute of Directors, 116 Pall Mall, S.W., 11.00
Save & Prosper Linked Inv. Tst., 1 Finsbury Avenue, E.C., 3.00
BOARD MEETINGS:
Finals:
M & W
Quality Care Homes
Interims:
Ellis & Everard
Investment Co.
Nobo

■ TOMORROW
COMPANY MEETINGS:
Carr's Milling Inds., Crown Hotel, Wetheral, Carlisle, 11.30
BOARD MEETINGS:
Finals:
Dewhurst
Hawtin
Watson & Philip
Interims:
Barbour Index
Fleming Geared Inc. & Assets Tst.
Jaques Vert
VHE

■ WEDNESDAY JANUARY 12
COMPANY MEETINGS:
Automagic Hldgs., AM House, Coldharbour Lane, Harpenden, Herts., 10.00
Capital Radio, Euston Tower, Euston Road, N.W., 12.00
Fenner, Royal York Hotel, Station Road, York, 10.30
Gleeson (MJ), Haredon House, London Road, North Cheam, Sutton, Surrey, 12.00
Manakin Hldgs., Hill House, 1 Little New Street, E.C., 3.00
Perpetual, Phyllis Court Club, Marlow Road, Henly on Thames, 12.00
Sage, Sage House, Benton Park Road, Newcastle upon Tyne, 12.00
Shani, The Marriot Hotel, 10 Grosvenor Square, W., 12.00
Young (H), Leander Club, Henly on Thames, 12.00
BOARD MEETINGS:
Interims:
Birkdale
Bromsgrove Inds.
Dixons
Dudley & Jenkins

■ THURSDAY JANUARY 13
COMPANY MEETINGS:
Euromoney Publications, Stationers' Hall, Ave Maria Lane, E.C., 9.30
Foreign & Colonial PEP Inv. Tst., Exchange House, Primrose Street, E.C., 11.00
Royal Bank of Scotland, The Balmoral Hotel, Princes Street, Edinburgh, 12.00
BOARD MEETINGS:
Finals:
Kershaw (A)
Rank Org.
TSB
Interims:
Clark (Matthew)
Cray Electronics
Jones Stroud
Surrey
Wyko

■ FRIDAY JANUARY 14
BOARD MEETINGS:
Interims:
Court Cavendish

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONFERENCES & EXHIBITIONS

JANUARY & MARCH
London School of Economics
A series of evening seminars on Contemporary Britain, 10 sessions starting on 12 January 1994 and Contemporary Europe, 12 sessions starting on 3 March 1994. Designed primarily for Journalists and Diplomats these sessions will be of interest to others who wish to improve their understanding of British and European politics, economics and society.
Further details are available from:
The London School of Economics,
Short Courses Office, Houghton Street,
London WC2A 2AE
Tel: 071-955 7227 Fax: 071-955 7676
LONDON

JANUARY, FEBRUARY & MARCH
The Securities Institute will be running a series of one and two day practical courses: Introduction to Futures & Options 24th, 25th Jan & 21st, 22nd Feb; Introduction to Financial Mathematics 3rd Feb, Introduction to Technical Analysis 3rd Feb; Introduction to Swaps 17th, 18th Feb; Advanced Swaps 17th, 18th March.
Contact: Sally-Ann Bezant,
Securities Institute
Tel: 071-626 3052 Fax: 071-626 3062
LONDON

JANUARY 14
Business Government and Parliament Seminar
A full-day conference examining the key relationships between business, Government and Parliament. The seminar is designed for a business audience. Speakers include Government Minister Eric Forth MP, Auditor General Sir John Bourn KCB, UK European Parliament Chief Dr Martyn Bond, and Professor Keith Middlemas. For details call Deirdre Griffith at the Industry and Parliment Trust on:
Tel: 071 976 5311 Fax: 071 828 7778
LONDON

JANUARY 18-19
Practical Documentary Credits
Trade finance training for financial institutions and export/import company personnel. Presentations, practical exercises and discussion on Doc. credits, handling discrepancies and the new UCP 500 procedures to clarify understanding of all issues. £480 + V.A.T.
Lywood David International Ltd
Tel: 0959 565820 Fax: 0959 565821
LONDON

JANUARY 19-23
The Lapada Antiques and Fine Art Fair
A superb presentation by 100 dealers together with a truly captivating ambience makes this an occasion to be enjoyed by the connoisseur and the collector alike.
Enquiries: Linda Colhan
Centre Exhibitions Tel: 021 767 2760
NEC, BIRMINGHAM

JANUARY 23-26
Managing the Leaner Unit
For managers of departments or commercial business units facing new challenges due to staff and cost reductions. Techniques introduced include scheduling resources and workload, empowerment versus control, benchmarking and maintaining quality and responsiveness in resource-constrained situations.
Contact: Mrs T. Jeffcott
Tel: (0223) 332722 Fax: (0223) 301122
CAMBRIDGE UNIVERSITY

JANUARY 24 & 25
Technical Analysis - A Practical Approach for Traders
An extensive seminar with workshops covering the most important elements of these essential techniques. Course material applicable to all major financial markets.
Contact: Tony Webb, AWCT
Tel: 0923 825663
LONDON

JANUARY 24-26 1994
Business Process Re-engineering Seminars
Continuing series of monthly seminars for executives and managers charged with designing and implementing BPR initiatives. Presented by a leading US practitioner, we offer a practical 'how-to-do-it' perspective in an intensive residential setting.
Contact: Richard Parris, Vertical Systems Intercede Ltd. Tel:+44-455-250266
Fax:+44-455-890821
MIDLANDS

JANUARY 25
Expanding Shareholder Value - The Vital Role of Investor Relations
Expanding shareholder value should be the governing objective for any company's business strategy.
At this one day conference, expert speakers will share the latest thinking and research and explore implications for both corporate and investment management.
Contact: Jo Mainee, The Strategic Planning Society
Tel: 071 636 7737 Fax: 071 323 1692
LONDON

JANUARY 25-26
Introduction to Risk Management
Training course covering derivative markets, Currency Options, SAFEs, FRAs, Futures, Interest rate swaps and related products. For Corporate Treasurers, bank dealers and marketing executives, financial controllers, systems and support personnel. £480 + V.A.T.
Lywood David International Ltd.
Tel: 0959 565820 Fax: 0959 565821
LONDON

JANUARY 28 1994
Managing New Product Development for Business Turnaround
A conference organised by the Design Museum at the London Business School. This one-day conference will focus on the role of design and new product development within organisational strategy. Aimed at senior managers in small and medium enterprises.
Phone The Design Museum on
071 403 6933 Fax 071 378 6540
for further details.
LONDON

JANUARY 28
Understanding Parliament Seminar
A full-day conference examining the key Government institutions and their relationship with industry. The seminar is designed for a business audience. Speakers include the Rt Hon the Viscount Tonypandy, Lord Privy Seal the Rt Hon Lord Wakeham, Government Minister Gwilym Jones MP, Chairman of Welsh Affairs Select Committee Gareth Wardell MP. For details call Deirdre Griffith at the Industry and Parliment Trust on:
Tel: 071 976 5311 Fax: 071 828 7778
CARDIFF

JANUARY 30 - FEBRUARY 1
Expatriate Tax Training for HR Professionals
Managing Expatriates? Improve your efficiency and cost-effectiveness. Training by Ernst & Young, advisers to the world's largest multi-national employers. Limited availability.
Contact: Sue Griffiths, Ernst & Young
Tel: 071 931 2618
ST ALBANS

JANUARY 31 - FEBRUARY 2
The London Virtual Reality Expo 1994
Mecklermedia's fourth international virtual reality exhibition and conference - focusing on the practical applications of virtual reality within commercial, cultural and research communities.
Venue: Novotel, London, Hammersmith.
Contact: Stella Filmer or Pamela Burton
Tel: 071 976 0405 Fax: 071 976 0506
Mecklermedia, Artillery House,
Artillery Row, London SW1P 1RT
LONDON

FEBRUARY - DECEMBER 1994
The Cable Television Association 1994 Series
Seven one-day conferences on practical managment and operational issues in the UK cable TV and telecoms industry. First two FEBRUARY 17: MARKETING: To Build the Business APRIL 21: TELECOMS: Gaining Market Share
For full details on these plus whole series call Sarah Thwaites on 071 734 6143
LONDON

FEBRUARY 7
Resource Management in the Public Sector
This conference will provide a practical forum to review the opportunities for selling services to the public sector and examine how a successful and enduring partnership can be built between the public and private sectors to the advantage of both.
Enquiries: Financial Times
Tel: 071 814 9770
Fax: 071 873 3975/3969
LONDON

FEBRUARY 8
Independent Energy in Europe
analysing key demand factors and opportunities for energy supply. Examining the European Energy Charter, financing and investment strategies, legislation and technology choices, DSM and opportunities in Eastern Europe. Speakers from the World Energy Council, EC Commission, Caminus Energy, British Gas, Ewbank Preece, Morgan Grenfell, Ashurst Morris.
Contact: Janes Giles, ICOM Conferences
Tel: 0226 299072
LONDON

FEBRUARY 8
Profiting from Risk
A one day conference tackling the principles and practises of financial risk. Topics cover the dynamics of exposure management from credit risk, through traders and training, to the competitive advantage of better risk management and the logistics of an IT solution.
The Brewery
STI Conference Division
Tel: 071-417 7404/5/6/7
LONDON

FEBRUARY 8
Improving the value of I.T. Investments
This conference presents practical solutions to the problems of evaluating the impact of I.T. on business performance. Senior executives, along with leading academics & consultants present workable methods for measuring the business benefits of I.T.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

FEBRUARY 8-10
Intelligent Financial & Business Systems
Applying Genetic Algorithms, Neural Networks, Fuzzy Logic and Chaos Theory. 2 day conference plus 1 day tutorial examines developments in leading companies and explains the underlying computing techniques used to gain competitive advantage.
Contact: Dipti Chauhan, IBC Technical Services Ltd Tel: 071 637 4383
Fax: 071 631 3214
LONDON

FEBRUARY 9
How to Plan and Manage a Small, Rapidly Growing Company
This one-day seminar will give practical advice, techniques and methods for strategic planning, managing growth and setting future goals for small, rapidly growing companies.
Enquiries: Director Conferences
071 730 0022
LONDON

FEBRUARY 11
Financing For Growth
Businesses which have survived the recession must now consider both their short and long term financial strategies. This conference will analyse the steps necessary for gaining competitive edge in the post-recession market.
For further details contact Acquisitions Monthly Tel: 071 823 8740
Fax: 071 581 4331
LONDON

FEBRUARY 14 1994
The Foreign Exchange Market: Who's in Control?
The conference will focus on the repercussions of the turmoil seen in the foreign exchange markets over the last eighteen months: the pressure for tighter supervision: the impact on the future of the ERM and the role played by derivatives in the crises.
Contact: Alison Elgar,
Dow Jones Telerate
Tel: 071 832 9532
Fax: 071 353 2791
LONDON

FEBRUARY 14-15
Preparing for Change
This concise overview examines successful strategies for managing the change to a truly high performance organisation and explores a framework and methodology to implement continuous improvement and innovation.
Contact: Mike Herr,
Tennessee Associates Ltd.
Tel: (0993) 883633
Fax: (0993) 882733
LONDON

FEBRUARY 15&16
Cable and Satellite Broadcasting
The 1994 event will concentrate on international competition in media markets, changing technologies and the implications of the digital and compression revolution as well as commercial programming and new entertainment channels.
Enquiries: Financial Times
Tel: 071 814 9770
Fax: 071 873 3975/3969
LONDON

FEBRUARY 16
UK Radio: The Challenges Ahead
In-depth conference on critical issues facing UK radio industry and how to create strategies for success. Free-wheeling panels on the BBC vs commercial radio, investment, advertising initiatives and programme formats.
Contact: Patricia Baynton, Kagan World Media Limited
Tel: 071 371 8880 Fax: 071 371 8716
LONDON

FEBRUARY 17-18
Constraints on Growth in Brazil: Economy, Society and Institutions
Keynote speech Thursday 17 February by Paulo Haddad, former Minister of Finance. Conference full day Friday 18 February. Speakers from Brazil and UK on the effects of domestic and international economics, society and institutions on growth in Brazil. Details from Institute of Latin American Studies.
Tel: 071-387 5671 Fax: 071-388 5024
LONDON

FEBRUARY 17-18
The 2nd Caribbean Tax Conference
This conference will bring together an international panel of experts, from business as well as tax administrations, who will take a fresh look at the developments in direct investment and financial services in this region. Will cover: free trade agreements - anti-tax havens laws - captives - offshore banking - investment vehicles and trusts.
Contact: Ms Anselien School, IBFD International Tax Academy
Tel: +31-20-6267726 Fax: +31-20-6209397
LONDON

FEBRUARY 24
Directors in the Dock
Personal, Criminal and Civil Liability under Environmental and Safety Law
Run by the Environmental Law Department of Simmons & Simmons
As a director, are you aware of the true nature of the liability you may face, the circumstances where you may be vulnerable and what you can do to reduce and manage the risks?
Further information from Kit Stones
Tel/Fax: (0234) 343384
LONDON

FEBRUARY 24
EIS & Competitor Intelligence: Developing Competitor and Business Intelligence Systems for Managers
Conference explores how EIS and related systems can improve the quality, scope and relevance of external information provided to managers. It discusses the intersecting roles of the various contributors and stakeholders in this process.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

FEBRUARY 24-25
Acquiring in Europe
An essential M&A forum for anyone considering making a European acquisition. Top experts take you through the acquisition maze and cover both technical and practical aspects of acquiring in all the major European centres. For further details contact: Acquisitions Monthly Tel: 071 823 8740
Fax: 071 581 4331
LONDON

MARCH 3-4
The 3rd Annual International Conference
The Russian Oil Industry: Trade & Investment Opportunities. Grosvenor House Hotel, London.
Contact: Jane Isted or Julia Dodds on
Tel: 081 742 2886 or Fax: 081 742 8462
LONDON

MARCH 7, 8, 9
Devising a Regional Transport Strategy
A conference looking at a South East Transport Strategy in a national context. Promoted by SERPLAN, speakers incl Rt. Hon John MacGregor OBE MP, Steven Norris MP, David Curry MP. Issues incl land use, investment criteria, private finance, road charging, congestion, demand management, regulatory control, DRIVE, green issues & London's transport needs. Contact:
Iain Dale, The Waterfront Partnership
Tel: 071 730 0430 Fax: 071 730 0460
LONDON

MARCH 8
IT & Corporate Transformation: New approaches to creating and maintaining strategic alignment between IT and the business
This conference explores the success factors and key problems associated with implementing IT strategies to support a business undergoing major change. It highlights the outstanding issues and provides practical guidance on how to handle them.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

MARCH 10-11
Winning People
Queen Elizabeth II Conference Centre, London
Based on a new research study from the London Human Resource Group, this two-day pan-European conference will highlight the actions that personnel directors need to take in response to the new business challenges facing European banking, insurance, accountancy, law and software firms.
Contact: Anna Rajan/Penny van Eupen CREATE
Tel: 0892 526757 Fax: 0892 542988
LONDON

MARCH 15-17 1994
Electronic Books International '94
A Mecklermedia conference and exhibition focusing on developments in the world of electronic books.
Venue: Novotel, London Hammersmith.
Contact: Stella Filmer or Pamela Burton
Tel: 071 976 0405
Fax: 071 976 0506 Mecklermedia,
Artillery House,
Artillery Row, London SW1P 1RT
LONDON

MARCH 16-17
Know Your Competitors
Competitor Intelligence & Analysis inc. Benchmarking. A practical two day seminar/workshop from the UK's No 1 specialists. Practical case exercise, successful case studies. Guest speaker who is head of a major company's intelligence unit.
Contact: Patricia Donnard, EMP Intelligence Service. Tel: 071-487 5665
Fax: 071-935 1640
LONDON

MARCH 23-24
Business Re-engineering: Managing Radical Change
This two-day international conference explores how to address the organisational and human challenges of business re-engineering. Including frank discussion of the reasons why so many initiatives fail and explores practical methods for achieving critical buy-in and support for redesigned processes and new working practices.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

MAY 10-12
Internet World & Document Delivery World International '94
Mecklermedia's second annual conference and exhibition exploring the products and services Internet applications can offer the company and the individual. Venue: Wembley Conference and Exhibition Centre, London. Contact: Stella Filmer or Pamela Burton
Tel: 071 976 0405 Fax: 071 976 0506
Mecklermedia, Artillery House, Artillery Row, London SW1P 1RT
LONDON

INTERNATIONAL

FEBRUARY 7-8 1994
Structuring and Managing Strategic Alliances
For senior executives, this Top Management Forum featuring Dr. Jordan Lewis will provide a comprehensive curriculum to guide you in developing profitable strategic alliances.
Contact: Bill Rauschenbach, American Management Association
Tel: 212 903 7932 Fax: 212 713 1652
FORT MYERS, FLORIDA

FEBRUARY 7-10
Lafferty's Cards & Payments Convention
incorporating Bank Cards, Smart Cards & Electronic Payments. Topics include: technology, marketing, third-party processing, POS updates, cross-border payments. Speakers from Visa, Europay, Cartes Bancaires, IBOS, APACS.
For further information, please contact Catherine O'Reilly, Lafferty Conferences on tel: (+353 1) 6718022 or fax: (+353 1) 6713594
FRANKFURT

FEBRUARY 8-9
European Regional & Municipal Financing Seminar
Financial institutions host a conference, involving Europe's leading regional and local government bodies. The event will investigate opportunities available to authorities in the international capital markets and developments that are taking place. Free to Local Government.
Contact: Sue Giddins, Euromoney
Tel: +44 71 779 8830
Fax: +44 71 779 8835
MADRID

FEBRUARY 12-16
Russia - Investment Strategies & Market Opportunities
A team of top Russian experts and government officials will explore business opportunities for foreign investors in Russia. A list of over 500 investment projects will be unveiled at the conference. Private consultations with experts can be arranged in advance.
Contact: Malta - Dr Elizabeth Zolina
Tel: 01 0356 222030
Fax: 01 0356 344512
London - Mr Vladimir Molchanov
Tel: 071 229 6412 Fax: 071 727 8625
MALTA

FEBRUARY 28 & MARCH 1
Asia Pacific Telecommunications - A Magnet for Foreign Investment
An international panel of experts will discuss the important investment opportunities for telecommunication companies in the Asia-Pacific region.
Enquiries: Financial Times
Tel: 071 814 9770 Fax: 071 873 3975/3969
HONG KONG

MARCH 1 1994
Eurobudget '94 Conference European Union 1994 Budget
Business Opportunities (70 Billion Ecu)
Top EC officials will explain EU 94 budget lines and how they will benefit specific business sectors. Aimed at organisations from EU and EFTA countries wanting their share of EC funding. Chairman: John Tomlinson, MEP, Budgets Committee.
Contact: SGD Société Générale de Développement S.A., Brussels.
Tel: +32 2 512 46 36 Fax: +32 2 512 46 53
BRUSSELS

MARCH 10-11
Portugal, A Growing Financial Centre
The Development and Internationalisation of the Portuguese Capital Markets reviewing Treasury's Borrowing Requirements, Caravela Bond Market, Establishing a Derivatives Market, use of Derivatives Instruments when Managing Financial Performance, Fund Management and Equity Markets. Venue: Ritz Hotel Lisbon.
Contact Bonnie Bristow Euromoney
Tel: 44 71 779 8833 Fax: 44 71 779 8835
LISBON

MARCH 30 & 31
Central & Eastern European Power Industry Forum
The latest and future developments in the electricity generating industry in Central and Eastern Europe. A forum on ownership issues, creative project financing, competition and cooperation opportunities. High level.
Contact: Penn Well C&E
Tel: 31-30-650963 Fax: 31-30-650915
PRAGUE

APRIL 13-14
Project Finance in the Asian Countries
Industry focuses on power generation, petrochemicals, transport infrastructure and water/utilities. Corporate speakers include Taylor Woodrow, British Gas, Northwest Water and Mission Energy who will talk about their operations in Asia. For details contact Project and Trade Finance seminars Tel: +44 71 779 8719
Fax: +44 71 779 8603
KUALA LUMPUR

MANAGEMENT

TIPS FROM THE TOP

Put the gender issue on the agenda

Steve Shirley, life-president of the F.I. Group, on how to get more women into senior positions

Let's suppose that one of your resolutions for 1994 is to get more women into senior management, perhaps even on to the board. What do you have to do this Monday morning?

With women forming more than half the working population, it certainly seems strange that so few of us get through the glass ceiling to serve at a corporate level. It should be no surprise if shareholders start asking questions at the AGM.

The point is, however, that it is quality not quantity that counts: pressure to play the numbers game does not help. Making promotions and new appointments is tough enough without someone saying you should appoint a black or someone with disabilities or, heaven forbid, a woman.

Some positive discrimination may be necessary, if for no other reason than to create the right corporate culture

Yet some positive discrimination may be necessary, if for no other reason than to create the right corporate culture. My experience is that once you alter the culture, there is no looking back.

Women have seen welcome changes in the fields of marketing and advertising, and more recently, in the old, hidebound professions of law and accountancy. But we also need such a quantum leap in industry.

Top women now aged over 50 can be termed pioneers. We were the first of the few rising to uncharted territory. Career opportunities 30 years ago were so narrow that we had to take any significant opportunities that arose. The same is true today. I receive more corporate invitations than my business performance alone would warrant. They have an element of tokenism.

No matter – provided it is clearly understood that I am not going to sit quietly, giggling at the occasional joke whether or not I understand it. I expect to be judged by the same inexorable criteria as my male colleagues: do I enable my group or organisation to achieve its task? Nowadays that is less by command and control, more by building teamwork and empowering individuals.

There are undoubted business benefits in having a work environment that is more encouraging to women. So, in the absence of quotas, what can be done to increase the quality and quantity of women's participation?

First, companies should consider introducing general management training specifically for women. I'm also a great believer in senior managers, of either sex, mentoring more junior female colleagues. Then, there is "career pathing" as a system of stepped experience towards career goals. Like men, women have to face the issue of whether they are prepared to pay the price of a vigorous career. Success is not an easy option. It requires sacrifices but also provides excitement and a sense of fulfilment.

Funnily enough, I also believe that God is in the detail. We have to get job advertisements and application forms worded so that women who have been through career breaks to have children or to follow a husband's job move, do not feel they have to break into an alien world of steady progression and unbroken continuity.

If you want to get a woman on your board as a non-executive, think of the characteristics you want in any director. Then if there is a shortage in your industry extend your search to professions where women have hit the top.

Perceptions are vitally important. I shall always remember rejecting a candidate's application on the grounds of her insufficient experience. Then a headhunter so extolled her entrepreneurial qualities and trained intellect that a meeting was arranged. She went on to serve on our board for more than two terms.

On the subject of positive discrimination, there is Opportunity 2000's idea of percentages agreed with business unit heads so as to target, say, 30 per cent of all department heads or unit leaders to women. Once the middle management posts are filled, there will be competences enough for the top posts later. The main reason people give me for not appointing women to their boards is that there are no women around. By this they usually mean visible at the level below the board.

The process of managing change is an enormous challenge. But it is not always necessary to guess. Ask the women in your organisation what they think will help them fulfil their aspirations.

Next Monday: Percy Barnevik of ABB on how to build a multinational team

Lament of the big spenders

Purchasing and supply are still not getting the attention they deserve. **Michael Cassell** investigates

Clive Mason spends more than £6m a day every day of the year. Stuart Humby signs off a similar amount. Peter Garnett daily waves goodbye to the best part of £1m.

Drawn from the highest ranks of the UK's 120,000-strong army of purchasing and supply managers who annually write £750bn worth of cheques between them, they are among the biggest of big spenders.

If people like them spend wisely, they can help boost both their companies' short-term profitability and their long-term competitiveness.

Mason, director of purchasing and supply for British Airways, heads a worldwide team which buys everything from jet fuel to champagne. Humby, director of group purchasing for National Westminster Bank, buys cars by the dozen for the bank's 11,500-strong fleet. Garnett is managing director of Greenalls Services, the company formed specifically to buy in everything from beer mats to beds for the shops, pubs and hotels within the Greenalls group.

The benefits of professional procurement can be enjoyed by companies of all sizes. The recently-formed purchasing team at Bankers Trust, the international investment bank, reckons it has saved the business £12m in three years; Alroil-Flaregas, a Middlesex-based combustion equipment maker with annual turnover of £20m, says that improved buying procedures are saving it a useful £15,000 a month.

Companies spend an average 55 per cent of total production costs on buying in goods and, increasingly, on a range of support services. But despite a growing awareness of the value of a strategic approach to the purchasing and supply function – now invariably dubbed "logistics" – the impression remains that most British companies still fail to take the issue seriously enough.

The result, according to the Chartered Institute of Purchasing and Supply, means unenlightened businesses could be spending up to one-third more than necessary and ultimately risking their own future.

"Most companies are still in the stone age as far as . . . the purchase and supply chain is concerned"

It also means that those charged with the purchasing role have been widely regarded as bit-players in the corporate management game, badly paid when compared to finance or marketing personnel and rarely promoted into general management.

Purchasing power

Annual amounts spent by some large organisations

Private sector		Public sector	
British Telecom	£4.5bn	British Rail	£1.5bn
British Airways	£2bn	General government expenditure	£150bn
Ford UK	£3bn	Inc: NHS England and Wales	£4bn
NatWest	£2bn	NHS Scotland	£350m
Rover	£2bn	Central government (exc defence and construction)	£3.3bn
		Universities	£2bn

Source: CIPS

A recent survey carried out among more than 400 UK companies by the CIPS offers an "alarming snapshot" of current attitudes. Nearly one quarter of companies do not believe they can make any savings by improving purchasing and supply practice, while 17 per cent cannot even identify the percentage of their total costs spent on buying goods and services.

"Despite high levels of external expenditure, most companies are still in the stone age as far as managing the purchase and supply chain is concerned," says Peter Thomson, CIPS director general.

The CIPS, naturally enough, wants the issue driven much higher up the management agenda until the supply chain is widely acknowledged as an important influence in the overall performance of a business.

Mason, Humby and Garnett all agree that part of the answer lies in ending the compartmentalised nature of a job in which barriers are too often placed between those who sign the bills and those with purchasing expertise. Instead, they advocate a broader, strategic approach which embraces the entire company.

The three agree that the process of elevating the supply chain process should ideally start with its endorsement among the highest tiers of management, with overall responsibility for the issue held by someone at or near board level.

"It is about establishing a new mind-set," says Mason. "You can begin by asking very senior people if they know how much their company spends, how many suppliers they have, the average length of contracts. You are often met with a glazed look but you might provoke them to go and find out."

Garnett says that by setting up a separate company to handle procurement for Greenalls, the group has made transparent the entire supply chain process, enabling it to analyse its efficiency and financial performance.

"At the end of the process, you can choose whether or not to contract out all or part of the entire supply chain, from warehousing and distribution to finance and technical services," he says.

Mason comments that one of the biggest challenges is "getting people to shift thinking from price to cost. When you start considering whole-life costs instead of concentrating on knocking a few pounds off the initial deal, you are making progress. When we buy an aircraft, one of the elements built in is what we can sell it for 15 years later."

He adds: "In the mid-1980s, we had 10,000 significant suppliers in the world – now the figure is down to 3,500 and still falling. There is a different focus. People used to chase new suppliers to extract better prices but now the focus is on who can deliver what we really need."

Humby refers to partnership sourcing – the building of a long-term relationship between supplier and customer – and suggests: "A more strategic approach to purchasing means it can be involved right at the start of the specification process so that suppliers can respond differently to meet a company's specific needs. That way you can make important step-changes to productivity.

"All too often, companies take a look at the purchasing operation and then forget it. There is a black hole in understanding. But it needs to be examined systematically, comprehensively and relentlessly," he says.

The CIPS is doing its bit to raise the profile of purchasing in the business education world, by sponsoring three university chairs and planning as many as 12 over the next five years. It is also building links with business schools in the US and the UK.

Mason says that, despite the disappointing attitude towards purchasing and supply, business is at least starting to catch on. British Airways this year had more than 1,000 applications for six graduate places in its purchasing group.

Greenall says: "The function has not been seen as a route to the top – but that is going to change. To be effective in this area you need a breadth of business understanding which crosses all areas of the company. It will become a new breeding ground for successful executives."

"The function has not been seen as a route to the top – but that is going to change"

Meanwhile, the CIPS prefers to keep its feet on the ground. "Our survey findings are truly astonishing because of the sheer ineptitude, the sheer lack of business acumen they reveal," says Peter Thomson. "Not to know how much is spent and how much can be saved says very little for the businessmen concerned."

BUSINESS TRAVEL

FT writers explain the rights of passengers who find their flights overbooked or seriously delayed

When tickets crumble to dust

Laden with your suitcase, briefcase and suit-carrier, you stagger to the airline check-in desk. All you want is to relax in your business-class seat with a glass of champagne, and a flight attendant tending to your needs.

Instead you hear: "I'm sorry, sir, the flight is overbooked. You'll have to wait." Your confirmed ticket crumbles to dust. Angry and frustrated, you wonder what will happen next.

Most airlines in large business destinations try to soothe you with cash, meal vouchers and free telephone calls to your destination. They have to do this under European Union or US rules, which set out minimum, and in the US case, maximum cash compensation for "bumped" passengers.

In the EU, for flights of up to 3,500km (mainly within Europe and north Africa) compensation should be at least Ecu75 (£59) where the airline offers an alternative flight arriving within two hours of the original time, and Ecu150 for flights arriving over two hours later.

On longer flights, Ecu150 should be paid for flights arriving within four hours of the original time, and Ecu300 where the delay is more than four hours.

In the US, the figures are "an amount equal to the one-way fare up to a maximum of $200" for delays of between one and two hours (two and four hours for international flights) and twice the fare up to $400 if the delay is longer.

The US Department of Transportation points out that "you always get to keep your original ticket, and you can use it on another fight or have it refunded. The . . . compensation is essentially a payment for your inconvenience."

Many airlines prefer to offer flight vouchers instead of cash as compensation. Vouchers give discounts on flights, generally of $300-$500, but you should ensure that they can be used on discounted, as well as full-fare, tickets. You can insist on a cash payment.

Some airlines, especially those in the US, operate auctions, in which they offer progressively higher amounts of compensation until the excess number of passengers has voluntarily agreed to take a later flight. United Airlines, the second biggest carrier in the US, says that this system means that only one in 30,000 passengers is bumped off a flight against his or her will.

Do you have a story of obstructive airlines and how to overcome them? Send details of your experience (or any other business travel tales or advice) to Michael Skapinker or Daniel Green. Fax: 071-873 3196 or 3085.

Flights originating outside the US or EU may be less straightforward. Some carriers, such as American Airlines, Swissair and Japan Air Lines, apply US or EU rules across their entire network. Others, especially carriers from developing countries, may try to pay substantially less.

The rules do not apply to charter flights.

For all passengers, a few steps can be taken to minimise the chances of losing your seat:

- Confirm your flight, and check in on time. These are prerequisites for the US and EU compensation rules to take effect. Checking in early will reduce the risk still further.
- Travel business class, first class or on a full-fare economy ticket. Most airlines claim they never overbook the first-class cabin, and if you are on a full-fare economy ticket you should be first in line to be bumped into business or first class. Furthermore, with a first or business-class ticket, other airlines on the route will be keen to take you on their flights, because they then get the ticket revenue.
- Join frequent flyer or other privilege programmes. All the airlines contacted by the Financial Times said that holders of such cards should be less likely to be bumped.
- Kick up a fuss. Ground staff have a lot of discretion over who flies. If you have a business meeting, anniversary dinner or medical condition, tell the ground staff.

Persistence works: one terrier-like FT journalist was bumped on to Concorde as ground staff strove to rid themselves of his attentions.

Daniel Green

Destination Nicosia, Cyprus: but how long will it take you to get there?

Long day's journey

It is a struggle to crawl out of bed at 6am in the dead of winter, but that is the price one pays for being a north Londoner with a flight leaving Heathrow at 9.30.

The Northern and Piccadilly Underground lines delivered me to Terminal 1 at 8.30am on December 28. There I was greeted by a notice saying that my Cyprus Airways flight to Larnaca had been delayed until 6 that evening because of a 24-hour strike by Cypriot civil servants.

What rights do you have if your flight is delayed? Not many, as I discovered. Rebecca Evans, a barrister in the legal department of the Consumers' Association, says delays are a "grey and fuzzy area". The best strategy is to scream and shout, which often results in offers of compensation.

Cyprus Airways check-in is handled at Heathrow by British Airways. The BA staff were helpful, walking along the check-in queues to warn passengers for Larnaca that they should not wait, as their luggage would not be accepted before 3pm. All further inquiries were directed to the Cyprus Airways airport staff.

Cyprus Airways agreed to send a fax to my hotel in Nicosia to say I would be arriving after midnight, but that was all. All further requests for help received a belligerent response, as did inquiries to the airline's London office after I returned home.

The airline's staff at Heathrow said they would not feed customers who had to spend the day at the airport. There were no cups of tea on offer and certainly no sympathy.

The strike, the airline employees said, had nothing to do with them. The delay had been caused by government employees, including customs and immigration officials and air traffic controllers.

But wasn't the airline owned by the Cyprus government, the internationally recognised administration that controls the southern, Greek side of the island? Not really, the airline's London office said. The Cyprus government owned a minority 49 per cent stake. The remaining 51 per cent was held by private investors.

As the strike had started the night before, why hadn't the airline attempted to contact passengers to warn them of the delay? The airline said its London staff had not known about the strike until the morning after it started, suggesting that communication between Cyprus and London is not all it should be. Although it is true that the strike was called at short notice, BA had already postponed a flight the night before because of the dispute.

Cyprus Airways' London office said most passengers on the flight lived within commuting distance of the airport and could go home. It added that BA had sent its own passengers home. If any passengers were out of pocket, they should contact the airline.

BA confirmed that it had sent passengers home. It said it had no hard and fast rule on how to deal with delays. It said customer service staff were encouraged to take responsibility for passengers and keep them comfortable.

Ms Evans says the Warsaw Convention, which governs airline behaviour, has more to say about delayed baggage than delayed passengers. Airlines are obliged to compensate you if they do not get you to your destination within a reasonable time – usually six hours for a long-haul flight.

But Cyprus Airways was within its rights: if a delay is caused by events outside an airline's control, you have no right to compensation. But, she adds: "It's not unknown that if people make a fuss they do get compensation."

Michael Skapinker

Favourite among the safest

British Airways claims to be the world's favourite airline, but which is the safest?

The International Airline Passengers Association has spent six months developing a system for evaluating airline safety. It looked at how many accidents airlines had suffered and how many deaths per million passengers.

It also looked at other, less quantifiable, factors. These included aircraft maintenance and the quality of pilot training, the age of aircraft and the air traffic infrastructure in an airline's base country.

BA is among the six safest large airlines. The association said BA had only one accident in its last 3m flights and had "an excellent management".

But top of the list of safe large airlines was American. "Every American flight sets another world record for most flights without an accident, now over 9m," the association said. "No other airline . . . has been close to this record."

The association believes American's success lies in its innovative pilot training and the right it gives to all mechanics to ground an aircraft.

The other large carriers with good safety records are SAS ("accident free for over 24 years, an unbelievable number"), Delta, Lufthansa and Southwest. The best of the medium-sized airlines were All Nippon, America West, Ansett Australia, Canadian Airlines International and Saudi Arabian Airlines.

Floating down

The planned opening of the Channel Tunnel next May has sparked the expected price cutting by ferry operators. Eurotunnel, the tunnel operator, will announce its fares on Tuesday. They are likely to range between £160 and £260, depending on the season. Last week Stena Sealink simplified and cut its charges. A standard round trip for a car and five passengers will start at £126, rising to a peak of £220, with extra charges for weekend sailings. The previous peak price was £294, Stena said.

Discount time

Some US airlines cut fares by as much as 45 per cent last week. The cuts were triggered by Northwest Airlines, which reduced prices on flights in the US, Canada and the Caribbean between January 18 and April 15. American Airlines, United, US Air, TWA, Continental and Delta, all followed, but did not cut prices in all regions. Discounting among US airlines is common in January but rarely on this scale.

Peace dividend

The Israeli government announced last week plans to expand Tel Aviv airport, one of the clearest signs yet of the commercial potential of moves towards peace in the Middle East. The Transport Ministry said the expansion would quadruple traffic at the airport.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	9	9	8	10	8
Hong Kong	22	22	23	21	20
London	8	9	12	9	9
Frankfurt	5	4	4	8	8
New York	-2	2	4	2	1
L Angeles	20	19	20	21	24
Milan	6	5	4	5	6
Paris	7	6	9	11	9
Zurich	5	4	3	5	5

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

Fatal overload

Investigators probing last week's crash of a Russian airline with the loss of 121 people said a overloading and engine faults were the likely causes.

Tourist safety

The US travel industry, hard hit by public reaction to crimes against foreign tourists, last week launched a campaign to promote the safety of travel to the US. It will involve more information for travellers and lobbying for stricter gun control laws.

THE MONDAY

People page

'We're insiders and usurpers'

Michael Perry *tells* **Guy de Jonquières** about Unilever's prospects after the Uruguay Round

■ **PERSONAL FILE**

Born: 1934 in Eastbourne, Sussex

Education: King William's College, Isle of Man, St John's College, Oxford

Career:
1957: Management trainee, Lever Brothers
1968-77: Marketing director, then chairman, Lever Brothers Thailand
1977-81: President, Lever Argentina
1981-83: Chairman, Nippon Lever
1983-85: Joint managing director, United Africa Company International
1985: Joins Unilever main board
1987-92: Personal products co-ordinator and director of marketing
1992: Chairman, Unilever

For a group its size – its £25bn annual sales dwarf the economies of many of the 150 countries in which it does business – Unilever has long kept a remarkably low profile. As Michael Perry, co-chairman of the Anglo-Dutch food and consumer products manufacturer, puts it: "We have always believed in letting our brands do the singing."

Recently, however, Unilever has begun to raise its corporate voice. Early last month Floris Maljers, Perry's Dutch counterpart, led a group of Europe's most powerful industrialists in calling publicly on governments to cut social costs, speed up deregulation and listen more closely to industry.

Soon afterwards, Unilever saw another, more ambitious, lobbying initiative pay off when agreement was reached in the Uruguay Round trade negotiations. For months beforehand, top executives had hammered away at the importance of getting a deal – and the dire economic consequences of failure. In private, they delivered the same message to the world's politicians.

Now the deal is done, what is in it for Unilever? The direct benefits look surprisingly modest. Because the group, which has plants in 80 countries, makes many products locally, few are vulnerable to trade barriers.

None the less, it expects increasingly to move products across borders and to supply worldwide from a single source so as to capture scale economies. It is also relieved to see the resolution of the long-running trade dispute over oilseeds, of which, as the leading margarine producer, it is a big purchaser.

But for Perry, the Uruguay Round is as important as a guarantee of continued free trade as for its specific provisions. Had the Round collapsed, the world trade system would probably have dissolved into regional trade blocs as wealthier economies banded together behind protectionist walls.

That, he admits, would not have all been bad news for Unilever, given its wide international spread. "One can argue that in the short term at least, a measure of protection is not something people sniff at. It has advantages if you happen to be an insider."

The snag was that those advantages would have been bought at the expense of poorer economies, such as India and Africa, where Unilever also has big stakes. The closing of industrialised markets could have threatened economic development in China, where it is rapidly stepping up investments.

That matters a lot to Unilever, which relies increasingly for growth on fast-expanding, and highly profitable, operations outside the stagnant markets of western Europe and north America. Another big plus from the Round is that pressure is kept on developing countries to plug away at broader economic liberalisation.

Still, the process is not a one-way bet. In India, where the group's local subsidiary is the second largest publicly-quoted company, liberalisation will make it easier to do business – but also for new competitors to enter the market. "So we have a foot in both camps. We're insider and usurper," Perry says.

Nor does he expect the political path ahead to be entirely smooth. "The big problem these governments face is that, if they are democracies, they have a rather sad and difficult imperative – they want to be re-elected next time round. If ripping away bureaucracy and protection leads to massive disadvantage for local interests, there is a political price attached."

That dilemma is not confined to the developing world. Perry foresees "new stresses and strains" as the European Union wrestles with declining industrial competitiveness and high labour costs, while facing growing pressure to underwrite political stability in the countries of central and eastern Europe by opening its market to their exports.

"The reality is that right next door, in east Germany, the Czech Republic and so on, there are massively lower costs which are going to threaten the standard of living of everyone else in Europe and increase pressures on structural unemployment."

Here, too, Unilever finds itself on both sides of the argument. It would like more freedom to export to the west from the low-cost plants in central Europe. "If we don't, our competitors will, and our shareholders won't thank us for putting them at a disadvantage," Perry says. Yet the group also has a huge stake in western Europe, where it makes more than half its sales and employs more than 100,000 people.

If things were left to the laws of supply and demand, labour costs in the EU would plunge, he says. "But since we all want passionately to cling to gains in our standard of living, we shall do everything possible to prevent that. But something has got to give somewhere. In the past, the gap (in labour costs) was plugged by tariffs and protection. The dismantling of protection has to lead to another solution."

What might that be? Ideally, Perry says, the gap would be closed by a rise in living standards in the developing world. The differential could also be narrowed by a reduction in social charges in western Europe, which would lower labour costs without eating too deeply into take-home pay.

He is encouraged by the realistic tone of the recent white paper on competitiveness by Jacques Delors, president of the European Commission. But he is far less sanguine about reducing long-term unemployment, which he considers the biggest threat to the world economy. "There is little companies can do on their own. We will generate wealth by using every ounce of innovation and technology . . . to make products and services. But we are able to generate a unit of wealth these days with lower labour content than we were. Therein lies the dilemma. Where that takes us, I'm not sure. But it is an area where the old, easy, answers no longer apply."

With so much on its plate, he reckons, the EU needs to adjust to the impact of the Uruguay Round before it is ready to launch any further big initiatives in foreign economic policy. "We now have to let the thing settle, let the patterns become clearer. It may lead to some recoil, some back-tracking."

But any period of reflection and consolidation is likely to be kept short by the rush of events elsewhere – above all by political change and uncertainty in the former Soviet Union and China.

"The threats to stability in Europe and the world are self-evident. To that extent, the arrangements put in place in the Uruguay Round, which appeared to fit the context of economic and geopolitical structures as they were yesterday, will have to be looked at again when patterns change. I can't put it any more precisely than that."

Personae . . .

Yet more turbulence at TWA

When Carl Icahn resigned as chairman of Trans World Airlines a year ago, the US carrier appeared to have embarked on a period of relative harmony, writes Frank McGurty. Just this autumn, TWA emerged from two years of Chapter 11 protection, with William Howard, a much-admired industry veteran, at the controls.

Last week, Howard, 71, resigned, ending a short and not-so-sweet chapter in TWA's tangled tale.

His replacement is Donald Craib, 68, a former chairman and chief executive of the Allstate Insurance Group. A TWA director for two months, Craib has no experience of operating an airline.

He spent 36 years at Allstate, then a subsidiary of Sears Roebuck, starting in 1950 as a claim adjuster, and has been a management consultant since retiring in 1986.

Sporting a brave face and a tight lip, the TWA board said Craib's background reflected broad financial and administrative experience. Moreover, he supported "employee involvement in the corporate decision-making process", an important issue at a company of which the staff owns 45 per cent.

Under Icahn, morale had taken a nose-dive. In announcing his resignation, the board praised the grandfatherly Howard for helping revive the enthusiasm of TWA's employees.

He was reported to have clashed over strategy with Glenn Zander, 47, one of his two vice-chairman. In an ironic twist, Zander, a career TWA financial executive, also departed last week, citing personal reasons.

The acrimony between the two surfaced soon after it became apparent the airline's position remained highly precarious.

In November, it announced a third-quarter loss of $61.7m and analysts have questioned whether TWA's current cash reserve of $163m is adequate to see it through the lean winter months.

Not surprisingly Craib is more upbeat. In fact, he plans to expand the airline's capacity over the next year – one of the pillars of Howard's strategy to distinguish TWA as a full-service carrier.

Jardine's Scottish tradition

When one of Hong Kong's most prestigious jobs is vacated in March - taipan of Jardine Matheson, the colony's oldest hong - it will be taken up by Alasdair Morrison, 45-year-old managing director of its associate, Hongkong Land Property Company, writes Louise Lucas.

While other hongs have done their bit by replacing top-level departees with local Hong Kong Chinese, Jardine is keeping up the older tradition of having a Scotsman at the helm.

At a Christmas function, Nigel Rich, the present taipan who leaves the colony in March to become group chief executive at Trafalgar House, and Morrison, both Scots, were resplendent in kilts.

It may be fitting attire for the managing director of Jardine Matheson, which has a thistle as its emblem, but Morrison may find he has more need to reach for his skean dhu in the challenges ahead.

To the Chinese government, Jardine compounded its original sin – the group started life as an opium merchant – by distancing itself from the colony. The group was the first to re-domicile in Bermuda and to switch its primary listing to London.

Finally, it publicly supported the democracy proposals put forward by Chris Patten, governor of Hong Kong and architect of the blueprint for an expanded democracy ahead of 1997. Beijing could stand no more: it told the hong to *gui xi* (literally go west, but also go to hell) and then gloated as the group's share prices took a hammering.

When it comes to facing these and other issues, analysts and peers say Morrison is capable, sure-footed, an obvious heir to the throne. His ultra-conservative style is just the ticket for acting guardian of a holding company tightly controlled from London by Messrs Henry and Simon Keswick, the controlling shareholders.

Boonstra bows out of Sara Lee

The onset of Chicago's winter may have been too much for Cornelis Boonstra, Sara Lee's president and chief operating officer who retired abruptly on December 31 after only six months in the job, writes Laurie Morse.

The 56-year-old Dutchman cited personal reasons for his departure, which led local pundits to speculate that his wife may have preferred to stay at home in the Bahamas rather than circulate in Chicago's frigid climate and midwestern social set. Through a spokeswoman, Boonstra said his departure was not based on differences with company management, and was not linked to health considerations.

His exit shocked analysts, who said Boonstra had just reorganised Sara Lee's lagging apparel business. Sara Lee, which had $14.6bn in sales in 1993, is best known for its bakery, coffee and grocery lines, but is also a global marketer of personal care products and clothing brands like Hanes, L'eggs, Bali, Playtex and Champion.

Boonstra, a 20-year Sara Lee veteran, was heir-apparent to company chairman and ceo John Bryan. Before being appointed president in July, Boonstra had served as chief of Sara Lee's European operations. He had been an executive vice president and director at Sara Lee since 1988.

Boonstra also resigned his seat on Sara Lee's board, although he will be elected as a member of the supervisory board of Sara Lee/DE, a Dutch entity which oversees most of the company's international business.

Bryan, 58, is in no hurry to retire, but now that Boonstra has bowed out his succession is left to a troika of executives. Though Boonstra's duties have been split between Steven McMillan, executive vice president, and Donald Franceschini, senior vice president, Michael Murphy, the chief financial officer since August, has also been suggested as a successor.

Architecture/**Colin Amery**

A promising start to 1994

New year prospect: Richard MacCormac's student rooms for St John's College, Oxford

Ian Dobbie

The new year has started very merrily with the amusing attack on Brian Sewell, art critic of London's Evening Standard. Apparently some of his articles have caused such offence that several self-important, self-styled "members of the art world" (presumably they inhabit a different earth from the rest of us) wrote a letter which, in effect, asked for him to be silenced.

I can only suppose that some of the 35 signatories had nothing better to do in the post-Christmas limbo. They accused him of being both homophobic and misogynist (I'm not quite sure where that leaves him...), ignorant and hostile when it comes to their kind of contemporary art. On top of all that they accused the poor critic of "sexual and class hypocrisy. They were just kind enough to say that he was "very occasionally... sometimes perceptive".

The fun continued when none other than the Secretary of State for Education, John Patten, wrote a letter supporting Mr Sewell. He made a very good point about the "art world" which applies to certain aspects of the professional architectural mafia as well: that "cultural life is only for the self-styled cultured, a narrow group alternately puffing and then gently 'criticising in context' each others work".

Mr Patten went on to say that the letter from the 35 worthies "marks the barrenness and imploding nature of so much British intellectual and artistic life, with a few notable exceptions".

Critics must have views and express them with knowledge in a way that provokes debate and interest. I think Mr Sewell is right about the fashionable shibboleths that dog the visual arts in this country. He is right to puncture the cloud of putrid political correctness that has replaced reason and thought in much of the "art world". He is also right to cry out for quality and integrity in art. He is criticised for this elitism by a group who are so elitist as to be, culturally speaking, almost incestuous.

This fruity and encouraging debate about criticism in the visual arts is a promising start to 1994. Also, at last, there is a new chairman of the Arts Council – Lord Gowrie, who is seriously knowledgeable about the arts, who will undoubtedly be able to clear up the mess left by his predecessor. He also loves architecture in an intelligent and thoughtful way – he is a bridge builder who, I trust, will not underestimate the public as the Arts Council and its minions has for so long.

Furthermore, I am happy to declare an interest in a new architectural magazine that will be launched on March 15 in London called *Perspectives*, with the object of encouraging the kind of informed architectural debate that was started by many of the speeches of the Prince of Wales. He was able, as no architect, critic or member of the "art world" has been able, to encourage widespread debate about contemporary architecture. The new magazine, which will make architecture a live subject, has the support of the Prince of Wales's Institute of Architecture.

There are also some very encouraging new buildings to write about in 1994. Richard MacCormac's new student rooms for St John's College, Oxford, also has generous commissions for works of art as part of the whole project. This is one of the buildings that will be interpreted at length in *Perspectives* and on these pages.

On May 28 the new Glyndebourne Opera House by Michael Hopkins will open. At about the same time, Eurostar trains should be running into the new Channel Tunnel rail terminal at Waterloo. This is a dramatic, beautiful place designed by Nicholas Grimshaw. I was lucky enough to have a preview the other day and it is remarkable – just as good as any of the *grands projets* that architects are always complaining we never build in this country.

I noticed that Nicholas Serota, director of the Tate Gallery, was too politic to sign the letter attacking Mr Sewell. I imagine he is much too worried about the decision his trustees are apparently about to make to offer to convert Bankside Power Station into a Museum of Modern Art. We have such good architects in Britain at the moment that a new building is surely the best answer. The conversion of the Gare d'Orsay into a major museum in Paris was only a partial success. The decision to appoint an old hand at architectural politics, Gordon Graham, to run a competition for the future of London's South Bank suggests that plans for the new Museum of Modern Art should be held over until the Hayward Gallery is demolished and plans are ready for an art venue of international standard, which London badly needs.

I relish the thought of the opening of the Channel Tunnel making trips to Europe easier. I wish there was a tunnel to link the UK to the countries of the formerly communist eastern Europe. The future of cities such as like Prague and St Petersburg depends on the spread of the work of enlightened architects, or they risk repeating all our commercial and architectural mistakes.

Sponsorship/**Antony Thorncroft**

Allied-Lyons gives RSC £3.3m

The sponsorship year got off to the best possible start with the confirmation on Friday that the Royal Shakespeare Company had found a much needed corporate backer. Allied-Lyons, the foods to drinks company, is giving the RSC £3.3m over the next three years, the largest arts sponsorship in the UK.

It was wonderful news for the RSC which in December said goodbye to Royal Insurance, its main corporate prop, which had contributed £3.5m over six years. Allied-Lyons has decided to concentrate its arts and community expenditure behind one venture, and asked consultants Scope Communications to come up with alternatives. Of its three suggestions the RSC was the obvious choice for chief executive Tony Hales. "It's one of the best international brands in the UK," he says.

Allied-Lyons money will support four productions a year in the UK, educational work, and, of vital importance to the sponsor, international tours. Most of Allied-Lyons' profits come from overseas and the first fruits of the link will be harvested in an imminent RSC tour of the Far East, including Japan, where the company works closely with Suntory.

Hales intends to lock the company in tightly with the RSC. It will involve its 70,000 employees, and its shareholders, with discounted seats, and help to promote RSC tours through its pub outlets. It may also back individual productions with its brand names and use the RSC in advertising.

For the RSC the sponsorship is vital. Although director Adrian Noble has lopped £600,000 off the overdraft since his arrival, it still stands at £2.4m, and the windfall royalties from its production of *Les Miserables* are now slackening. This valuable new commitment to the RSC increases confidence all round.

★

Researching the effectiveness of sponsorship is a costly business, so few supporters of the arts, and even fewer arts organisations, contemplate doing it. However the Tate Gallery has set in motion a long-term evaluation of the impact of sponsorship on its exhibitions. It is conducted by MORI, and is costing the Tate over £20,000.

MORI is questioning visitors to the Gallery; past, present, and potential sponsors; and MPs and opinion formers, and gaining their reactions to sponsorships at the Tate. Or whether, indeed, there are any reactions. Favourable results will contribute towards a marketing package to offer potential sponsors. If there are criticisms, the Tate's business development department, under Fay Ballard, will try and remedy them.

Since 1990 the Tate has raised £4.25m in corporate sponsorship. As well as regular backers, like BP, which has just paid for another annual rehang, and Tate & Lyle, which has renewed its funding for the Friends of the Tate, in 1994 Ernst & Young is involved in its first major sponsorship by putting a substantial six-figure sum behind a Picasso show, and Reed-Elsevier comes in later in the year, helping to stage a Whistler exhibition.

★

Award ceremonies in the arts stimulate attention, reward performers, and appeal to sponsors. Classical music has never really succeeded in getting a prize-giving off the ground to match the Booker, the Whitbread, the Olivier, or the Prudential, partly because its scope is so international.

The Classical Music Awards sponsored by Kenwood, the Japanese electronics company, seems to have plugged the gap. The 14 prizes, bronze sculptures by Dhruva Mistry, will be distributed at the Albert Hall on January 21 to category winners – singer (male and female); orchestra; composition; etc. – from eight countries. The international spread of the awards makes it costly – Kenwood invests £350,000 in organising the event, plus another £150,000 on promotion – but is happy enough with the results to have signed up for another two years.

★

In theory sponsorship was to be the icing on the cake for major arts companies, with the cake being well fruited with state support through the Arts Council. Events are changing that, most strikingly in the financing of the London orchestras. The contribution of grants to their financial viability has fallen steadily, with sponsorship making up much of the shortfall.

This is especially true of the Royal Philharmonic Orchestra, which on December 15 discovered that its Arts Council grant for 1994-95 was to be cut by 25 per cent to £300,000, or around 5 per cent of its turnover, and, on the same day, finalised a £500,000 a year sponsorship with Classic FM.

The RPO becomes the station's national orchestra, taking concerts from its London platform around the UK. The RPO hopes that its success in forging such a substantial sponsorship, the largest in the UK classical music scene, will prod the Arts Council into raising its grant, at least for its touring activities.

★

What's in a name? Around £20,000 for the Blackheath Concert Hall. It was planning a Christmas production of Prokofiev's *Peter and the Wolf*. One of the board was great friends with Peter Wolff, who runs S. R. Gent, a clothing supplier to Marks & Spencer. Peter Wolff liked the idea of backing *his* opera. As a first time sponsor the BSIS gave the concert halls a matching £20,000, which helped support a Victorian Circus. And Wolff is so happy that he wants to make *Peter and the Wolf* an annual event.

★

Mobil is one sponsor which sticks in there and positively relishes backing the controversial. It has just announced another Mobil Playwriting Competition. Scripts should be in by next August and there is £40,000 in prize money.

In contrast, Mobil also backs a popular play which tours the country, offering its regional offices opportunities to entertain clients, its staff discounted seats, and the wider public the chance to see a production which is more lavish than most theatres can hope to present these days. Alan Ayckbourn's *Absurd Person Singular* is just starting the rounds.

Rostropovich at the Barbican

At the Barbican on Saturday night, with a superlative piano-partner in Ian Brown, Mstislav Rostropovich played the cello. He was in easy, magisterial form. Not least among the delights of a Rostropovich recital is being firmly reminded that he is a great artist – a fact that is sometimes muddied in his appearances as conductor. There, an excess of enthusiasm over technique may disappoint; sometimes he doesn't transmit his intentions to his orchestra clearly enough to achieve much more than an excited hubbub, all noise and confusion. When he does, the result can of course be splendid; but not always.

On the cello, however, his intentions are directly and gloriously realised. On Saturday there were two or three passages in which his pitch suddenly went peculiar (he is going on 68, after all), but they made no difference whatever. Even in the smallest pieces – a Marcello Adagio, the Rakhmaninov Vocalise, a racing Humoresque by himself fifty years ago, and most of all in an encore, Ravel's bijou Habañera – there were penetrating touches of phrasing and colour, of humour and feeling. Rostropovich is one of those rare players whose instrument has become his natural voice.

Twenty and thirty years ago, he used to invest Bach's solo suites with taut drama. Here, the C minor Suite was broad, unhurried, grand and down-to-earth at once: a ripe musical experience. For the Beethoven sonata originally announced, he substituted the early, playful variation-set on the duet "Ein Mädchen oder Weibchen" from Mozart's *Magic Flute*, to which Brown made his own sparkling contribution. Early this season, Brown figured in a Nash Ensemble concert that got off on the wrong foot and grew steadily lamer (as I reported glumly on this page); it was a great pleasure to hear him rising to this occasion with such assured, creative finesse.

He matched Rostropovich faultlessly in their crowning exhibit, Prokofiev's late C major Sonata – for which in 1949 the cellist himself had advised the composer on the cello-writing. Like other works of Prokofiev's last years, it is seemingly transparent, tuneful, sectional in an old-fashioned way, and yet elusively oblique. Here the partners invested its three discursive movements with glowing conviction and variety, moment by moment; by the end, we had registered a potent autumnal message, music too precisely expressive (as in Mendelssohn's famous remark) to be put into words.

David Murray

Theatre/**Malcolm Rutherford**

Billy Roche's The Cavalcaders

Tony Doyle as Terry and Marie Mullen as Breda

Alastair Muir

A whisper of warning. Billy Roche's *The Cavalcaders* at the Royal Court may seem initially disappointing to anyone who saw the same author's Wexford trilogy at the Bush. The theatre is bigger, the play is not. It may be that the small Irish town is running out of subjects.

The plays in the trilogy were set respectively in a snooker hall, a betting shop and the belfry of a parish church. Each had a background that was lively and contributed to the plot. The Bush has a large stage relative to the space for the audience. That produced an appropriate intimacy.

Cavalcaders is set in a shoemenders' shop, and a fairly dingy one at that. Whereas from the belfry, you might look out from the tower and see the whole of Wexford, here you will see at most the hairdressers' across the road and perhaps a few people walking down the street. Even to do that, you have to stand on a chair and lift the curtain.

This is a self-inflicted handicap by a playwright who has made so much out of specialising in details. There is a lot of movement in a betting shop or even a pool room; the scope for action at a cobblers', where most people seem to fail to collect their shoes, is limited.

Perhaps this is deliberate and Roche has become more introverted. Certainly there are fewer jokes; the piece is tinged with sadness throughout. The central character, Terry, almost never leaves his shop; his girlfriends come to him, and object when he never offers to take them out.

The central prop, apart from the shelf of old shoes, is an upright piano usually covered by a canvas. It is around the piano, however, that the cobblers gather in their part-time vocation, for – when not mending shoes – the Cavalcaders are a male quartet singing sentimental, poppish songs, some of which they write themselves. They pose with great style, and it is a mark of their achievement as actors that, as a singing group, they never seem to be either wholly good or wholly bad. The in-between is captured to perfection, which may be what Wexford is all about.

The structure is weaker than one expects from Roche, and even harder to follow when you read the text than when you see it on stage. Neither Terry's wife nor her lover appear and we learn almost nothing about them. Suddenly the play goes into flashbacks, which is almost always a suspect way of storytelling.

Yet of the quality of the acting and the infectious nature of the Wexford language there can be no doubt. Terry, played by Tony Doyle, is the most senior of the shoe-menders. His young girl friend Nuala (Aisling O'Sullivan) has great freshness, but in the background there is his older friend Breda (Marie Mullen). The two women get on well enough together, a reminder perhaps that in Wexford nothing much changes because there is nothing much that can change.

The language is soft, sometimes deliberately inarticulate, almost never without feeling. There are times when you straining not to miss a word. Billy Roche himself plays Josie, one of the Cavalcaders and cobblers. Direction is by Robin Lefèvre, and if you've never been to Wexford, you might as well start from here.

Royal Court Theatre. (071) 730 1745

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/DANCE

Deutsche Oper The main event this week is a revival on Sun of Turandot, with Gwyneth Jones. Repertory includes Peter Schaufuss' production of Nutcracker, Il trovatore, Tosca, Rigoletto and Der fliegende Holländer (341 0249)

Staatsoper unter den Linden Two Gluck productions are in preparation - both staged by Achim Freyer and conducted by Thomas Hengelbrock. Alceste opens on Jan 23 and Iphigénie en Tauride on Jan 29. Repertory also includes La traviata, Madama Butterfly and Tristan und Isolde (200 4762/2035 4494)

Komische Oper A new production of Puccini's Trittico, staged by Christine Mielitz and conducted by Mario Venzago, opens on Fri. Repertory includes Kupfer productions of Le nozze di Figaro, Cosi fan tutte and La boheme, all sung in German (229 2555)

CONCERTS

Schauspielhaus Tonight: Sian Edwards conducts Deutsches Symphonie-Orchester Berlin in works by Vaughan Williams, James MacMillan and Dvorak, with percussion soloist Evelyn Glennie. Wed: Jiri Kourt conducts Orchestra of the Deutsche Oper in Brahms' Violin Concerto (Vadim Repin) and Third Symphony. Thurs, Fri: Fabio Luisi conducts Berlin Staatskapelle in Brahms and Saint-Saens, with piano soloist Anatol Ugorksi. Sat, Sun: Gustav Kuhn conducts Berlin Radio Orchestra and Chorus in concert performance of Rossini's Otello, with cast headed by Chris Merritt (2090 2156)

Philharmonie Thurs, Fri, Sat: Zubin Mehta conducts Berlin Philharmonic Orchestra in works by Liszt, Mozart and Prokofiev. Sun, next Mon: Emmanuel Krivine conducts Deutsches Symphonie-Orchester Berlin in Glinka, Rakhmaninov and Saint-Saens, with piano soloist Olli Mustonen. Next Wed, Thurs, Fri: Riccardo Muti conducts Berlin Philharmonic (2548 8132)

THEATRE

Peter Zadek's Vienna Burgtheater production of The Merchant of Venice has joined the repertory of the Berliner Ensemble (282 3160). Two Ibsen plays have been newly staged by two of Berlin's other leading theatres - The Lady from the Sea at Volksbühne am Rosa-Luxemburg-Platz (282 3394) and Hedda Gabler at Schaubühne (890023). Athol Fugard's 1982 autobiographical play Master Harold and the Boys can be seen at Maxim Gorki Theater, where repertory also includes Pirandello's The Mountain Giants (208 2783)

● Tickets and information for theatre, revues, concerts and nightclub shows available from City Center Theater und Konzertkasse, Kurfürstendamm 16 (tel 882 6563 fax 882 6567) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9286)

■ NEW YORK

THEATRE

● Angels in America: Tony Kushner's epic two-part drama - about religion, sex, Aids and corrupt politics - conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)

● Four Dogs and a Bone: John Patrick Shanley's satirical comedy about movie-making and power plays in Hollywood was a big hit off-Broadway last autumn (Lucille Lortel, 121 Christopher St, 239 6200)

● Later Life: A.R. Gurney's witty, perceptive play about a man and woman who meet after a 30-year separation (Westside, 407 West 43rd St, 307 4100)

● The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

● Heartbreak House: Shaw's drama, set in England on the eve of the first world war, about people so saturated in pleasure that they have lost purpose. Directed by Richard Corley (Bouwerie Lane, 330 Bowery at Bond/Second Streets, 677 0060)

● She Loves Me: the 1963 Bock, Harnick and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)

● Kiss of the Spider Woman: the Kander and Ebb musical with a star performance by Chita Rivera in the title role (Broadhurst, 235 West 44th St, 239 6200)

● Blood Brothers: Willy Russell's musical about twins who, separated at birth, eventually meet and fall in love with the same girl. Featured in the cast are David Cassidy and Petula Clark (Music Box, 239 West 45th St, 239 6200)

OPERA/DANCE

Metropolitan Opera Tonight's performance is the first this season of Lucia di Lammermoor, starring Mariella Devia and Jerry Hadley (in repertory till Feb 10). Hildegard Behrens and Brigitte Fassbaender head the cast in Elektra tomorrow (in repertory till Jan 27). Final performances of I Lombardi with Pavarotti are on Wed, Sat matinee and next Thurs. Final performance of Les Troyens is on Thurs. Aida is revived next Mon and Le nozze di Figaro on Jan 24. A new production of Britten's Death in Venice opens on Feb 7 (362 6000)

State Theater New York City Ballet's winter season runs daily except Mon till Feb 27, with matinee and evening performances on Sat and Sun (870 5570)

CONCERTS

Avery Fisher Hall Charles Dutoit conducts New York Philharmonic Orchestra in works by Roussel, Saint-Saens and Berlioz on Wed, Thurs, Fri afternoon and Sat, with soloists Jean-Philippe Collard and Cynthia Phelps. Next week's concerts are conducted by Neeme Järvi (875 5030)

Carnegie Hall Fri: Ruth Ann Swenson song recital. Next Tues: Radu Lupu. Jan 23: Robert Shaw conducts Britten's War Requiem (247 7800)

■ PARIS

OPERA/DANCE

Opéra Bastille Mirella Freni sings the title role in Adriana Lecouvreur tonight, Thurs and Sat. Offenbach's Les brigands can be seen tomorrow and Wed. The next production is B.A. Zimmermann's Die Soldaten, opening Jan 22 (4473 1300)

Châtelet Ballet Cristina Hoyos presents a new flamenco work daily except Mon till Jan 23 (4028 2840)

Palais Garnier Jan 12-15: Alwin Nikolais and Murray Louis Dance present two programmes. Jan 19-28: Ballet de l'Opéra de Paris in John Neumeier's production of Nutcracker. Feb 9-28: Nijinski triple bill. March 10-22: three Roland Petit world premieres (4742 5371)

CONCERTS

Châtelet Tonight: Kurt Sanderling conducts Orchestre National de France in Sibelius and Tchaikovsky, with violin soloist Vladimir Spivakov. Tomorrow lunchtime: Boje Skovhus song recital. Thurs: Sanderling conducts Strauss, Schumann, Vivaldi and Mozart, with cello soloist Yo Yo Ma. Sun morning: Abdel Rahman El Bacha gives the third recital in his complete survey of Beethoven piano sonatas (4028 2840)

Théâtre des Champs-Elysées Tonight: Yehudi Menuhin conducts Sinfonia Varsovia in Beethoven's Third and Sixth Symphonies. Thurs, Fri, Sat: chamber music by Schumann, Mozart, Brahms and others, featuring Yuri Bashmet and others. Sun morning: Midori violin recital. Jan 19: Moscow Virtuosi. Jan 31: Yevgeny Kissin (4952 5050)

Salle Pleyel Wed, Thurs: Semyon Bychkov conducts Orchestre de Paris in Schnittke's Second Cello Concerto (Mstislav Rostropovich) and Stravinsky's Firebird (4561 0630)

JAZZ/CABARET

New Orleans jazz singer Phillip Manuel is in residence at Lionel Hampton Jazz Club for the next two weeks (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

THEATRE

● The Rise and Fall of Arturo Ui, Brecht's Nazi allegory, is directed by Jérôme Savary at Théâtre National de Chaillot, with Guy Bedos in the title role. Daily except Mon till Feb 26 (4505 1450)

● Ibsen's The Wild Duck has joined the repertory of the Comédie Française, directed by Alain Françon (4015 0015)

● Maxim Gorki's pre-revolutionary drama Children of the Sun (1905) is directed by Lluis Pasqual at Odeon-Théâtre de l'Europe. Daily except Mon till Feb 27 (4441 3636)

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4952 5356

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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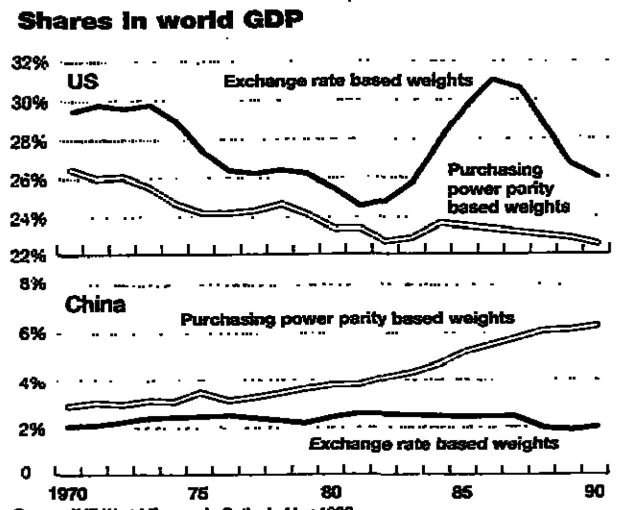
Euronews 0745, 1315, 1545, 1845
FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030
SATURDAY
Sky News: 0330; 1330
SUNDAY
Super Channel: FT Reports 2230
Sky News: FT Reports 1730; 0430

Samuel Brittan

Some common sense on US and China

During most of the post-war period respectable western opinion worried about the low living standards and slow growth of Asian, African and Latin American nations, who made up the so-called Third World. Now the fashionable worry has flipped over; and it is that the best-performing of these countries will overwhelm the established industrial nations.



Source: IMF World Economic Outlook, May 1993

Some of the alarmism has been fuelled by a recondite piece of research, which appeared in an appendix to the May 1993 *World Economic Outlook* published by the IMF. This reassessed the share of different parts of the world in global GDP. It did so by converting currencies on the basis of their estimated domestic purchasing power rather than at their market exchange rates.

The result was that the established industrial countries had their share of world output in 1990 reduced from 73 to 54 per cent, and the developing countries had theirs raised from less than 18 to more than 34 per cent. The most famous finding of all was the trebling of China's share in world GDP from 2 to 6 per cent. These new estimates have travelled by bush telegraph among the economic talking classes, where they are now in vogue.

They should not in fact have caused any surprise. It has long been known that GDP comparisons at market exchange rates exaggerate the poverty of many Third World countries. The Canadian economist and national income expert, Dan Usher, observed a couple of decades ago in his travels in Indo-China that most people had a tolerable, if basic, standard of living. Yet their pay, expressed in say dollars or D-Marks, would have brought rapid starvation to anyone having to live on it in North America or western Europe.

The reason for the discrepancy is also well-known. Market exchange rates establish a rough equivalence of purchasing power for different currencies in terms of products which feature in international trade. The stress is on approximation. The US economy appeared to drop from nearly a third to barely more than a quarter of the world's total, due first to the overshooting and then to the undershooting of the dollar in the 1980s.

In Third World countries there is a systematic tendency for non-tradable products and services to sell at very low prices relative to tradable ones. Travellers know how cheap are restaurant meals, shoe cleaning and other personal services in poorer countries. The new estimates have had less effect on growth rates than on total output.

Third World pay, in dollars, would mean starvation for any living on it in the US

Developing countries have been growing faster than established industrial ones at least since the mid-1970s. Since 1984 developing country growth rates have averaged almost 5 per cent per annum, against 2½ per cent for developed ones. In the two years to 1994 the IMF expects developing countries to grow by nearly 6 per cent per annum while industrial countries grow by only 1½ to 2 per cent. Among the latter, the dear old European Community is projected to grow by between ½ and 1 per cent.

These estimates incorporate an additional 0.8 per cent added to the average annual growth rates of developing countries and a subtraction of 0.1 per cent for the developed world, as a result of the rebasing exercise. Without these corrections the developing world would still have shown a more rapid growth rate than the industrial west.

But the rebasing does make a difference. Old figures showed rapid Third World growth was necessary to offset its high population growth. Output per person seemed to be growing at an approximately similar pace in both areas. The new estimates suggest Third World growth is faster even on a *per capita* basis.

Even the latest corrections may not go far enough. They still suggest the US, with a fifth of China's population, has a total real GDP 10 times as large. But in any case the discrepancy in living standards remains huge. Surely a gradual catching up by China is welcome – although it does not justify turning a blind eye to human rights abuses in China or its adjacent territories.

Grounded after a bumpy flight

Stephen Wolf, stepping down as chairman of United Airlines, speaks to **Paul Betts**


Stephen Wolf: 'When I hand over to my successor United will be a superbly engineered company'

Mr Stephen Wolf is paying the ultimate price to secure the future of his company United Airlines, the largest US carrier.

To win up to $5bn of wage and productivity concessions from the company's 80,000 employees to compete against the new breed of low-cost US domestic airlines, Mr Wolf has agreed to step down as chairman and chief executive in June. The airline's president, Mr John Pope, and its legal counsel, Mr Larry Nagin, are also leaving.

Mr Wolf conceded that his decision to go was not only unusual but unprecedented. "I am a little melancholy about leaving, but I am also happy because I think the employee buy-out of the airline and the wage and benefit concessions they are making is the best alternative for the company, its employees and its shareholders," he said during a visit to London last week. Just before Christmas, the United board accepted an offer by its workers to take a majority stake of between 53 per cent and 63 per cent in the airline.

If the buy-out, the biggest in US corporate history, is completed as expected by June, Mr Wolf, once reported to be the highest-paid executive in America, will probably walk away an even richer man than he already is. His three-year contract will be honoured.

His last published salary was $575,000 in 1992 and he also holds considerable stock options and shares. Mr Wolf said he would not be receiving an additional golden handshake and that he would have preferred to continue earning his salary by actively running the airline during the next three years.

"But the pilots and machinist unions wanted me to leave and constitute a new board as a condition for the buy-out and wage concessions and I will do that," he said.

Ironically, Mr Wolf will leave United a much stronger airline than when he was brought in to revive the sleeping giant of US aviation at the end of 1987. Although he never won the hearts of the union leaders, he has succeeded in transforming United, once focused on the US domestic market, into a powerful global carrier with probably the most extensive network in the world and $2bn of cash reserves.

In the 1980s, United, known in the US airline industry as the "900lb Gorilla" because of its size, lost its way as well as its number one position in the industry to American after a crippling strike by its pilots. The company dropped its strategy of a global integrated travel group by divesting itself of its Hertz rent-a-car business, and its Westin and Hilton International Hotel activities.

"We returned the company to its core airline business, modernised what was one of the oldest fleets in the industry and put into place what I believe is the best route structure of any airline in the world," Mr Wolf said. "We also made some improvements in our costs but our labour contracts inherited from the days before deregulation simply could not work in a low cost airline environment."

United's unit costs are much lower than those of its big European competitors. "British Airways' costs are about 35 per cent higher than ours, Lufthansa's about 90 per cent more and Air France 100 per cent plus higher," said Mr Wolf. But the cost base was still much too high to compete against the new low-cost carriers in the US domestic market.

Faced, in addition, with the worst postwar recession in the air transport industry Mr Wolf slashed United's long-term capital spending programme by $5.5bn this year on top of an earlier cut of $3.6bn in 1992. "At the end of 1992 we also took one significant run against operating costs by laying off 2,800 people, but it was not enough and we went to the union leaders to try to make a significant adjustment to our overall labour costs," he explained.

United had three options. "The first was the status quo: do nothing until the market picks up. But it was no longer just a cyclical problem, it was a structural one. US consumers were telling us they wanted low fares as well as safe airlines. So the status quo was no option," Mr Wolf said.

The second was to co-operate with the unions to achieve a dramatic change in working practices and wage and benefit costs. The third, he explained, was to forge ahead irrespective of the unions with a sweeping restructuring programme including the setting up of separate low-cost airline subsidiaries within the company, contracting out service and aircraft maintenance operations, selling assets and laying off thousands of workers.

"That last option would have been very difficult and confrontational: we would have faced a labour conflict to the nth degree," he said.

From the day he took over at United, Mr Wolf has had to wrestle with particularly hostile labour relations, especially from his pilots. His appointment was welcomed by Wall Street because of his reputation as an expert in rescuing troubled airlines.

After learning the airline industry ropes in 15 years at American, he spent short stints as head of marketing at Pan Am and president at Continental. Then, in less than three years as head of Republic, he turned the Minnesota loss-making airline to pr and paved the way foi merger with Northwest. moved on to Tiger Inte tional where he pushed its ing Tiger air cargo busines record profits before was merged with Fed Express.

But if United's motto long been "Fly the Frien Skies", Mr Wolf found friends in the airline. Since 1985 strike, the airline's pi have sought to take contro the company and put tl man in the top slot. Mr W salary when he joined – he reported to have earned $6 his first year largely as a re of compensation for st options he left behind at T International – won him e fewer friends among the line's employees.

But he has perseve in his strategy return United to number one posit in the US industry. Mr W said he would continue w ing aggressively to try to c plete his strategic plan be stepping down in June. He just announced further ex sion in Pacific services inc ing a substantial increase flights to China: the comp is about to open a huge maintenance base at Ind apolis: he is continuing lol ing hard to win approval f the UK government to fly f London to the airline's n hub of Chicago: he is in thick of negotiations with German and US governm authorities to get a marke alliance with Germany's L hansa off the ground.

"When I hand over the i tion keys to my succes United will be a superbly e neered company," he clai in an ironic reference to Gerry Greenwald, a forr vice-chairman of the Chry motor company widely tip as the unions prefer candidate to head airline.

Mr Wolf said he had made plans for the future. He hi he might consider a job out the industry, but others ex he is likely to be approac by United competitors.

His biggest consolatio that he believes he is setti new trend in the US air industry. "Our big US com tors will also have to react I can see them all, Ameri Delta, USAir eventually ta the same employee partic tion road. That is the pric survival," Mr Wolf said, ning his Stetson hat and ri out, a tall lonesome figure the western sunset.

United Airlines: the Wolf legacy

	1987	1993
Aircraft Fleet	382	545
Average age (years)	13.8	9.6
Countries served	13	33
System ASMs** (bn)	101.3	150.4
Domestic ASM (bn)	86.2	96.6
International ASMs (bn)	15.1	53.8
% international capacity	15	36
Average daily passengers	150,685	190,879
Total employees	62,032	81,512
Operating revenue ($)	8.36bn	12.9bn
Net earnings ($)	335m	15m*

*Jan-Sept
** Available seat miles. Domestic, International and system ASMs for full year 1987 and 1993

LETTERS TO THE EDITOR

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Education adapting to skills needs

From Mr Stephen McNair.

Sir, David Soskice's support for continued expansion of higher education (Personal View, January 6) will be welcome to all those who believe the UK's future lies in a high-skills, knowledge-based economy. However, he fails to note the scale of recent and current change in higher education itself, both in who participates and what is provided.

It is now three years since school leavers ceased to be the majority of entrants to higher education in England and Wales: while the numbers of young people entering higher education expanded in the 1980s by 28 per cent, the expansion was in mature students (77 per cent), mature women (147 per cent), and part-timers, notably part-time postgraduates (164 per cent).

This is a signal that many people are recognising the priority of lifelong learning: we cannot afford to wait for young people with new skills to replace those currently in the labour market.

The second point is that traditional forms of higher education do not necessarily produce the kind of skills which the Employment in Britain survey points to. Developing these reliably and economically in most universities calls for change in what is taught and how it is taught. But the government's Enterprise in Higher Education programme has invested for the past five years in curriculum development aimed precisely at these kinds of skills. Fifty-four universities, working with thousands of employers, have introduced changes affecting the experience of a growing proportion of their students.

There is a long way to go, but the UK may not be as far behind the US as David Soskice fears. We certainly share the hope that the present consolidation will prove to be a minor diversion from the long-term trend of expansion.

Stephen McNair,
associate director (higher education),
The National Organisation for Adult Learning,
21 De Montfort Street,
Leicester LE1 7GE

Challenging the parental role

From Mr Andrew Campbell.

Sir, Your newspaper should be congratulated for predicting Daimler Benz's problems as early as 1988 ("Lingering Doubts about Daimler", November 14, 1988). Christopher Lorenz's excellent analysis of Daimler Benz was based on examining the capability of the parent company to manage and create synergy out of the diverse businesses it had acquired in the previous three years. He concluded that success was unlikely, that Daimler would need to make significant divestments, and that even then the logic of the company "remains doubtful".

This approach to understanding diversified companies is called parenting theory. It focuses on the skills of the parent. The logic for diversifications is then the fit between a business and the parent's skills. This way of thinking about diversified companies has become the established creed among top academics and consultants and in Lorenz's writing on other companies. Why is it absent from your leader, "Diversify : Die" (January 4)?

Vague discussions about merits of specialisation ver balance or about the dang of "having all your eggs in basket" are a poor substit for rigorous analysis of par ing skills in order to und stand why some conglomer make sense and others do r

Andrew Campbell,
director,
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London W1N 3AF

Unitary councils will not spawn 'despised quangos'

From Mr John Wilson.

Sir, Mrs Pat Case, Conservative opposition leader of Lancashire County Council (Letters, January 6), complains that the Local Government Commission's moves to restructure local government are out of line with the Conservative government's transfer of responsibilities for health, education and waste management to trusts and company boards.

Mrs Case also claims that replacing large and remote county councils like Lancashire with smaller, all-purpose unitary councils will spawn a system of "despised quangos" because the new authorities will have to work together on some functions such as strategic planning, county archives and the lord lieutenancy.

If Mrs Case despises quangos so much, she would do well to understand what a quango is. My dictionary says a quango is a quasi-autonomous national government organisation – in other words, a body which can more or less do what it likes and derives its existence and power from national government.

That sounds to me like a perfect description of the health trusts and opted-out school governing boards which Mrs Case seems to like so much. Conversely, it does not fit at all the handful of joint arrangements, overseen by locally-elected councillors, which the new unitary authorities will need.

Replacing the present system of separate county and district councils with unitary councils will put right the mistakes of the 1974 reorganisation, eliminate waste and an unnecessary layer of bureaucracy, save money, be more responsive and accountable and, as commission chairman, Martin Easteal, says, produce a structure which can take back powers from the quangos.

The real threat to local democracy and to ordinary people's ability to control their local services comes precisely from those quangos – and not from the pending reorganisation.

John Wilson,
chairman,
Lancashire District Councils,
Town Hall,
Chorley,
Lancashire

Not taken in by vouchers

From Professor Richard Rose

Sir, Russians learned not believe everything they saw television long before launch of TV ads promisin fortune in return for a priv sation voucher ("Yeltsin pl curbs on abuses of privati tion by voucher", January Our representative survey Russians, supported by Foreign Office Know-H Fund, found the great major of Russians have a realis idea of a voucher's worth, e mating its value at Rbs9, roubles (about £5). Moreov 82 per cent reckon th voucher will decline in valu

We can extend to Russia aphorism of a pioneering s dent of public opinion: "Or nary people are not fools".

Richard Rose,
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A proper role for government

From Dr M E R Robinson.

Sir, Mr Herbert E Meyer (Letters, January 1/2) argues that the proper role for government in creating economic growth is to establish ground rules .while entrepreneurs make growth happen.

Perhaps one of the proper roles for government, as automation increases and the requirement for employees decreases, will be to ensure a reasonably equitable distribution of those employment opportunities which exist?

M E R Robinson,
26 Fairfield Close,
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Oxfordshire OX12 0NQ

Smoky tunnel

From Mr Daniel Moylan.

Sir, Lex ("Eurotunnel", Jai ary 5) wonders whether Eu tunnel will be able to gener new cross-channel traffic th no-one had predicted.

I imagine that its London-Paris trains will attract lots new business from smoke such as me who have been to by British Airways that th are no longer welcome board.

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The ghost at Nato's feast

"What really matters is Bosnia," said a senior Clinton administration official quoted in the FT last September, discussing prospects for the Nato summit which opens in Brussels today. If by January 10 Nato was "there, and doing something", the summit would be a success. But if Sarajevo had "gone down the tubes" it would be a failure.

January 10 is here, and Nato is not "there". At least, it is no more there than it was in September. The headquarters unit provided by Nato for the UN Protection Force (Unprofor) is still there, but the force is no more able than it was four months ago to protect the civilian population of Sarajevo and other towns from Serb shelling, which continued cynically through the Christmas "truce", if anything at greater intensity than before. In August Nato threatened air strikes if the "strangulation" of Sarajevo continued. It persists but there have been no air strikes.

The UN commander in Bosnia, General Francis Briquemont – a representative of Nato's host nation – has just resigned, "exhausted" after six months in the job and publicly deploring the "fantastic gap" between UN Security Council resolutions, "the will to execute those resolutions and the means available to commanders in the field". The resolutions in question authorise the use of "all necessary means" to ensure that relief supplies reach their destination. Yet tanks intended for the protection of UN troops trying to reopen the airport at Tuzla, so that relief supplies can be flown in, are stranded at a base in Serbia because Bosnian Serb leaders (against whose forces the protection is required) are allowed to block their passage; and the Serbian government extracts payment from the UN for allowing supplies through, to offset the effect of sanctions which the UN has itself imposed.

Peace agreement

When the US offical spoke in September of Nato being "there, and doing something", she alluded to the plan for a Nato force, including 25,000 US troops, to supervise the implementation of a peace agreement between the three Bosnian parties. Today not only does a peace agreement seem further off than ever, but no one any longer believes, after the retreat from Somalia and Haiti, that US troops would be sent to Bosnia even if a peace agreement were reached.

In short, while Sarajevo may not quite yet have disappeared "down the tubes", in other respects conditions in Bosnia are precisely those required for the Nato summit to be a failure. Nor can Nato get away with blaming the UN for this state of affairs. The same governments call the tune in both organisations.

Military muscle

Only Nato could provide the political and military muscle for the UN to enforce its resolutions in Bosnia, and it has conspicuously failed to do so. No wonder, then, that central European governments lack confidence in it. No wonder they interpret the proposed "partnerships for peace", not as a bold strategy for gradually expanding Nato's zone of peace but as a fudge, designed to avoid any risk of confrontation between Nato and Russia.

Indeed who can expect that Nato would stand up to Russia if it lacks the courage to stand up to Serbia and Croatia? Who can be surprised, when Serbia is allowed to get away with ignoring frontiers and forcibly moving populations in the name of ethnic solidarity, that Russian leaders from Boris Yeltsin downwards increasingly invoke the same principle in dealing with other ex-Soviet republics, and seem increasingly disposed to defend the involvement of Russian military units in conflicts beyond Russian borders as a contribution to "stability" or even "peacekeeping"?

Of course, Russia is not Serbia and Yeltsin is not Milosevic. There is still a chance that Russia under Mr Yeltsin's leadership will remain democratic and friendly to the west. Nato leaders do not want to jeopardise that chance, and recognise that any Russian regime will be concerned with the stability of Russia's neighbours, particularly those with large ethnic Russian populations. But that does not mean they should encourage anyone in Russia to think that such interests can be asserted legitimately or with impunity by military force. Further passivity in Bosnia is all too liable to have that effect.

Next steps for the Tecs

The establishment three years ago of the Training and Enterprise Councils was one of Britain's bolder institutional shifts of recent years, even if the task of running Tecs has been made more difficult by the government's ambivalence towards the market failure which called them into existence.

Nonetheless, the Tecs have disappointed the cynics who said they would emulate Private Industry Councils in the US, which lost business support. Of the three tasks bestowed upon Tecs – organising the training of the unemployed, raising the skill level of the employed and stimulating enterprise – they have performed the first more efficiently than the state and have made some progress in the last two. Although of uneven quality, their industry committees have become useful forums for corporate networking and their compact size has made them ideal sites for experiments, such as those now taking place on job creation. Above all, the Tecs have tapped a large reservoir of regionally-based civic capitalism, which recognises that there is a collective interest in public economic goods such as an effective training system.

If that enthusiasm is not to wither away, the Tecs cannot stand still. As spelt out in a book published today by Professor Robert Bennett and colleagues at the London School of Economics, Tecs have not become powerful agents of business self-administration, such as the German chambers of commerce, which many people – including Mr Michael Heseltine in late 1980's exile – wanted. Given Britain's individualistic business culture and the character of the government it was unrealistic to suppose that they would. The relevant question now is whether pushing them gradually in this direction will remedy the problems identified.

Less impact

In the field of stimulating economic development, and channelling public support for business, the answer is a qualified yes. Tecs have had less impact than hoped in this field partly because they have had very little money for it, but also because of their hybrid character and the fact that they overlap with other institutions such as local authorities, chambers of commerce, and various government agencies, including the trade department's latest offspring, the one-stop-shop. Merging chambers and Tecs, despite their different traditions, makes sense in terms of increasing the impact of both types of organisation and in creating local bodies that are big enough to provide most government business support services. Some form of compulsory registration for companies with more than 100 employees would also be worth considering.

Independence

The improved information about local companies that would come with registration could also improve the Tecs' contribution to in-company vocational training. But to make a real impact here Tecs need more financial and operational independence from government. That means either allowing them to levy funds from local businesses or to share in the business rate, or some mixture of the two. German success in vocational training has many causes, including a collective bargaining system which makes it difficult for employers to poach skilled workers, but the existence of well-funded chambers to administer the system, financed by local employers and a local tax, is one cause of that success.

Britain cannot hope to copy German success by simply borrowing its institutions. But if Tecs are going to become more than sophisticated quangos for training the unemployed they need to acquire something akin to the strength and independence of German chambers. It is an open question whether bodies devoted to raising business quality in general, and in-company training in particular, should also have a monopoly in running large-scale training programmes for the unemployed.

It is time for ministers to recognise that the process of granting greater autonomy to former public sector agencies across the economy needs to be applied to the Tecs. Targets would still need to be set and quality rigorously monitored by the Tecs' paymasters, but enabling Tecs and chambers to merge would be a useful step along the way.

"An alliance whose purpose is not the intention to wage war is senseless and useless" – Adolf Hitler

As the Nato summit gets under way in Brussels, **David White** questions its role and relevance

Scramble for seats on mystery ride

The challenge the North Atlantic Treaty Organisation faces as it completes its first 45 years is to prove Hitler wrong. Since the cold war dissolved in the late 1980s it has been scraping around for a new sense of purpose. As leaders of the 16 allies meet for their summit in Brussels today, not only the future membership of Nato is in question but also the nature and continued relevance of the organisation.

A previous summit in London in 1990 proclaimed Nato to be "the most successful defensive alliance in history". Its success as a front against the Soviet Union was such that it never had to put troops into action. Its effectiveness derived from two factors: a powerful military capability, and the political will to use it if necessary.

But its reason for existing – the Red Army – is now a thing of the past. It is possible that rebuilt Russian forces might again become a threat to western Europe. But – for all the sabre-rattling of Mr Vladimir Zhirinovsky, the ultranationalist Russian politician – they are not considered one now by military chiefs. As a British admiral graphically put it: "The light house keeper at Muckle Flugga [northern Shetlands] hasn't seen a periscope for years."

The cold war held Nato together and guaranteed a level of public support. Now the only public enthusiasm for Nato is evident in the nations of central and eastern Europe which would like to join, and which most of the allies are anxious, for now, to keep at bay.

The summit, called by the US last year, was not meant to be about enlargement, but that is the issue which will dominate it. The strong nationalist showing in last month's Russian elections has exacerbated Nato's quandary – giving countries such as Poland all the more reason for seeking Nato's protection, and Nato all the more reason to tread cautiously and avoid reinforcing Russians' belief that the world is ganging up against them.

Nato's leaders have yet to persuade President Boris Yeltsin it would be in Russia's own interest to have central Europe securely linked to western European institutions. The alliance is caught between the risk of playing into the hands of Russian extremists by favouring expansion and that of apparent appeasement of Moscow, allowing it to veto Nato decisions.

But there are more problems involved in expanding Nato than Russian reactions. One question is whether Nato is prepared, or militarily able, to protect borders further east. Mr Douglas Hurd, the UK foreign secretary, put it in blunt terms at the Royal College of Defence Studies last month: "Are the US Congress, the House of Commons, the French Assembly, the Bundestag solemnly ready to guarantee with the lives of their citizens the frontiers of, say, Slovakia? If not, or if not yet, then it would be a deceit to pretend otherwise."

Another is where to draw the line. Although there is general acceptance in Nato that membership will eventually grow, no consensus exists as to how many might join. Limited expansion could create its own tensions and divisions. "What if we take Poland in but not Lithuania [which last week became the first ex-Soviet republic to apply]?" asks one seasoned Nato hand. "What if Hungary but not Romania?" On the other hand, the more countries join, the harder it may be to maintain a semblance of cohesion within the alliance. And the less cohesion, the less advantage there is in joining.

The fact that Greece and Turkey were both Nato members may have helped contain their dispute over Cyprus – an example often cited by central European officials. But that was during the cold war; it might not be so with future quarrels.

If there is one art Nato has become adept at, it is papering over its difficulties. The summit will open the way to enlargement in principle, without naming names, fixing a timetable or setting criteria for membership. Yet it will be understood that Poland, the Czech Republic, Hungary and Slovakia will be put in the fast track, nobody will join for several years and that membership will be conditional on real democratic credentials.

Nato now wants to be about shared political principles. In the past – during its first 25 years when Portugal was a dictatorship, during the colonels' Greece or periods of military rule and repression in Turkey – democratic principles took second place to common strategic interests.

Mr Volker Rühe, German defence minister and an early champion of enlargement, has said that the central European nations will not be joining the old Nato but a new one. By that he meant a co-operative Nato not geared to fending off Russia. The trouble is that what the central and east Europeans want to join, essentially, is the old Nato – to feel safe against Russia. Mr Antony Lake, President Bill Clinton's national security adviser, warns that if they join too quickly their worries about Russia could become "a self-fulfilling prophecy".

Nato's holding tactic – thought up by the US in October – is to offer military co-operation agreements to all the countries of the former Warsaw Pact, Russia included, and assorted other European nations. Partnership for Peace agreements – PFPs in Nato-ese – will allow countries to draw closer to Nato by exercising and possibly peacekeeping alongside Nato forces. They may be a prelude to membership, but not automatically. And, crucially for the applicant countries, they will not include mutual defence guarantees.

Mr Yeltsin has given a guarded welcome to the proposed military ties, which should start to be negotiated this year. Countries such as Poland rather grudgingly accept the idea, suspicious that they are being fobbed off. President Lech Walesa told the Washington Post that Nato's approach to enlargement was "shortsighed and irresponsible".

Nato's hope is that the co-operative programmes will winnow out the serious candidates – those that can make a real contribution – and groom them for membership, which could roughly co-incide with entry into the European Union.

But what sort of Nato will they be joining? Will the US still be as engaged in it? Nato went through many internal spats in the cold war but there was no question of the US commitment or of America's vision of its own security being anchored in Europe.

Allies expect Mr Clinton to deliver a strong reaffirmation of Nato's importance and the need to keep it as a transatlantic forum. But it is questionable how long the US can maintain public support for keeping even a reduced troop force of 100,000 in Europe. Nato would be severely weakened without the US contribution – both for vital military assets such as long-range transport and satellite surveillance, and for the weight the US pulls in the world.

In the past three months the Clinton administration has bombarded Nato with initiatives, fleshing out its Partnership for Peace idea, seeking Nato involvement in "counter-proliferation" to deal with potential new nuclear-missile powers, and proposing new Combined Joint Task Forces which would link France more closely into Nato military planning for operations outside allied territory.

Nato has unique military resources. No other organisation could provide the sophisticated co-ordination needed for tasks such as enforcing the no-fly zone in Bosnia. The Gulf war effort three years ago also drew heavily on experience of working together in Nato.

However, allies' military forces are being rapidly run down. With no clear threat scenario, there is now longer any yardstick for judging what forces Nato needs or what kind of fighting it should train for. There is a risk that, like the excess tanks and artillery of the cold war now being dismantled, Nato's military structure will rust away. It would then be an alliance on paper, which might be worth little if put to the test.

"The trick," says a former senior Nato diplomat, "is how to ensure that the habits of co-operation that we have developed over the last four decades are not thrown away."

The declining relevance of Europeans

MICHAEL PROWSE on AMERICA

As President Bill Clinton makes his first visit to Europe, it is perhaps worth reflecting that the US is rapidly cutting loose from its European roots. The point is not just that Pacific rim and western hemisphere countries have become more important trading partners, it is that a diminishing proportion of Americans have personal or ancestral links with Europe.

Sharp changes in immigration patterns, magnified by differences in fertility rates, are transforming the US into the world's first truly cosmopolitan society. Demographic trends point in a direction that would have been unthinkable to the founding fathers: by the second half of the 21st century, Europeans and their descendants – the ethnic group that has dominated the US for more than 200 years – may well be outnumbered by other racial groups.

In parts of the US this non-European future has arrived. Look at the register of new home buyers in affluent Orange County, suggests Mr Peter Morrison, a demographer at the Rand Corporation in California. The top four surnames are Nguyen, Lee, Garcia and Kim. Miami, now jokingly referred to as the "capital of Latin America", is comparably diverse. As Time magazine noted in a special report on "multicultural" America, nearly 60 per cent of Dade County residents speak a language other than English at home.

The US was set on its present multicultural path by a radical (but much underrated) change in immigration policy in the mid-1960s. On humanitarian grounds, strict limits on overall immigration were eased and rules allocating quotas according to the existing population mix scrapped, ending the bias in favour of northern European countries such as Germany, Ireland and Britain. In 1940, 70 per cent of immigrants came from Europe. By 1992, over 80 per cent were from Latin America, the Caribbean and Asia.

Immigration policy was revised three times in the 1980s. The net effect was to relax entry controls further and reinforce the shift towards Asian and Hispanic immigrants. Those entering as refugees were mainly Asian while the beneficiaries of a generous amnesty were mostly Mexicans. The principle governing legal immigration remains "family unification". But since only recent immigrants seek to bring in family members, and since they are mainly Asian or Hispanic, the effect is to magnify the new bias in favour of Asia and Latin America.

So far there seems little risk of an outbreak of European-style xenophobia. In multicultural America, gangs of skinheads do not amuse themselves by beating up foreigners. But a nation that is composed of immigrants is beginning to wonder whether present policies are not excessively liberal. In the past 10 years, nearly 9m immigrants have entered the US legally – the largest number since the turn of the century. A further 5m people are reckoned to have evaded border patrols.

Signs of unease are multiplying. Polls suggest that nearly two-thirds of voters now favour stricter controls on legal immigration (Americans overwhelmingly support tougher curbs on illegal aliens). Politicians have not hesitated to exploit the changing public mood. Mr Pete Wilson, the Republican governor of California, boosted his popularity last year by urging the repeal of laws giving automatic citizenship to the children of illegal immigrants. And he shocked the liberal establishment by arguing that illegal immigrants should be denied access to the state's oversubscribed education, health and welfare services.

Some of the growing hostility towards immigrants can be put down to temporary economic difficulties: when jobs are scarce and local budgets under pressure, an influx of poor families is bound to be unpopular. The fact that immigration is so regionally concentrated (in states such as California, Florida and New York) only adds to the strains. California, in particular, is inundated, having admitted more immigrants in the past decade than in the preceding 50 years: 40 per cent of the population of Los Angeles is foreign born. A third of legal and half of illegal immigrants settle in the state.

But the fears about immigration run deeper. The underlying problem is that the decision to loosen immigration policy and shift the mix towards Asians and Hispanics was not the result of a vigorous public debate. Americans did not consciously decide their country was under-populated and insufficiently cosmopolitan. The big changes of recent decades have taken nearly everybody by surprise.

As a result, the social and financial strains are proving severe. Highly-educated northern Europeans were easily assimilated. Low-skilled Hispanics and Asians are not. Yet the federal government does not properly compensate cities such as Los Angeles for the huge costs of absorbing this new class of immigrant. And many politicians seem bewildered by social and educational changes under way – such as strident demands for a genuinely multicultural curriculum – that are a direct result of their policies.

By global standards US immigration policy is benign. While narrow-minded Europeans exploit "guest workers", the US readily offers citizenship. While the likes of Canada and Australia scoop up the cream of the immigration pool by imposing strict educational and skill requirements, Uncle Sam remains big-hearted enough to welcome the underprivileged. It is uplifting to see a nation settled by Europeans erecting a multicultural tent large enough for every race and creed. Yet it is troubling that so few Americans seem to grasp what a bold and principled policy they have embarked upon.

OBSERVER

Stacking up the chairs

■ The Commodity Futures Trading Commission, the US futures industry's regulator which is habitually on the look-out for sharp trading practices among its charges, seems to be experiencing a bit of churning itself – of chairpersons that is. The Commission is now greeting the third acting chairperson selected for it since President Clinton took office a year ago.

Latest to step into the breach is Clinton fund raiser and farmer's daughter Barbara Holum, taking over from Sheila Bair, a Bush appointee who had been in place since August. Holum, sworn in as a commissioner only in November, is no time-server either.

The game of musical chairs began last January when staunch Bush supporter Wendy Gramm, chairwoman since 1988, handed in her notice. Commissioner William Albrecht was provisionally roped in, but he departed in August, leaving a lonely duo of commissioners, one of whom was Bair.

Seeing that the last two chairpersons and two of the three interim heads have been female, there has obviously been no particular problem in achieving gender "balance" for this would-be politically correct administration. But frustrated regulatory staff suspect that the White House's ambitions extend to redressing ethnic balance, and the names of two female black Chicago lawyers are circulating. Just what kind of political point is there to be made, though, after all the dithering?

UN likely

■ Business sponsorship window of the moment must be the United Nations' 50th anniversary, due in 1995 – a "unique opportunity to reposition the UN" as the hopeful press release puts it.

No-one would deny the organisation needs a facelift. This week, for instance, UN sources expect Secretary General Boutros Boutros-Ghali to take the unusual step of backing the appointment of a special "force inspector" for former Yugoslavia. His brief? To hasten investigations into months-old allegations of black marketeering, prostitution and the transporting of people from Sarajevo for payment.

'I think you're taking predictions of a consumer-led recovery too personally'

Golden boys

■ The London gold market, where just five firms fix the price every day, is an incestuous place, even by City standards. Hence a frisson of excitement at the admission of two new boys to the club in the space of a week.

The mighty Deutsche Bank is now the proud owner of Sharps Pixley, and Edmond Safra's Republic National Bank of New York swallowed Mase Westpac, the remnants of the old Johnson Matthey Bankers. Both parents are big gold traders in their own right, but had hitherto lacked the cachet of membership of the club which has fixed prices since 1919.

New arrivals at exclusive gatherings should know how to behave. No surprise, then, to see Keith Smith, former boss of London's oldest bullion firm, Mocatta & Goldsmid, leave retirement to take over as non-executive chairman of Republic's new operation, Republic Mase Bank.

Smith caught the gold bug in the 1950's, when he started working for Edward E Mocatta. Republic Mase's managing director, Dick Gazmararian, used to work for him, and Edmond Safra, one of the world's canniest private bankers, has been a friend for over 30 years. Indeed, it was Safra who persuaded Smith to take on the new job.

Greasy pole

■ No wonder the shares in state-owned banks are missing out on the current bullish run at the Athens Stock Exchange.

The fact that the Greek Socialist government is replacing the chairmen of half a dozen state-controlled banks with its henchmen is itself unremarkable. But eyebrows were raised even in Athenian banking circles when none other than Soulis Apostolopoulos pitched up as the new chairman of Bank of Attica, a small state bank specialising in trade with the rest of the Balkans.

Until recently, Apostolopoulos, who headed a Greek state trading agency, ITCO, during the Socialists' last turn in the 1980s, was in jail. He had been convicted of fraud relating to the Great Maize Scandal of 1990, when the Greek government had to pay a $2.4m fine because ITCO sold a cargo of Yugoslav maize to Belgium, using forged Greek certificates of origin to avoid paying EU countervailing levies.

Another, er, surprise is the return of Panayotis Korliras as chairman of Greece's third biggest bank, Ionian Bank, a job he held under the previous Socialist administration. All have not forgotten how, during his watch at the parent company, a luxury hotel on Rhodes was built by the bank's subsidiary, Ionian Hotels. For the past two years, the latter has been trying to dispose of the edifice, which cost Dr14bn to put up, a piffling Dr10bn over budget.

Gift of the gab

■ The government's increasingly risible attempts to redefine its "back to basics" campaign bring to mind the Law of Irrelevance as promulgated in Yes Minister and helpfully reprinted in week one of the BBC TV series' 1994 desk calendar. "The less you intend to do about something, the more you have to keep talking about it."

FINANCIAL TIMES
Monday January 10 1994

Embryo central bank faces credibility battle

Obstacles remain to acceptance of EMI as European monetary force

By Peter Norman, Economics Editor

Signs are growing that the president of the European Monetary Institute, Mr Alexandre Lamfalussy, will have a struggle to get the organisation accepted as a significant force in European monetary affairs.

The institute's council holds its inaugural meeting in Frankfurt tomorrow with difficult questions over the pay and conditions of the staff yet to be resolved.

There are also differences among the European central banks, which own the institute, over how far jobs should be allocated on grounds of nationality.

More fundamentally, wide *divergences exist between* authorities such as the European Commission and Belgian finance ministry, which see the EMI as an instrument to force integration in the EU, and others, notably the Bank of England and Bundesbank, which think its role should be mainly advisory.

Last week, the Greek government, which took over the presidency of the European Union at the new year, cast doubt on the status of the EMI. Mr Yannos Papantoniou, the alternate economy minister who will chair meetings of EU economics and finance ministers until the end of June, said he doubted whether Mr Lamfalussy would be invited to the monthly meetings of "Ecofin" ministers on a regular basis.

Senior European monetary officials say the Greek threat is one of Mr Lamfalussy's lesser problems. The EMI's statutes make clear that Mr Lamfalussy can expect to attend ministerial meetings when the functioning of the European monetary system or broad macro-economic issues are being discussed – which will be

Lamfalussy: having to build the institute from small beginnings

the case with most of them.

The officials consider the first two meetings of the EMI council will be a significant test of Mr Lamfalussy's influence. But it will only become clear around mid-year, when key staff have been recruited, whether the EMI will play an important role in EU monetary policy.

Mr Lamfalussy, a Hungarian-born, Belgian banker, is having to build the institute from small beginnings. He has to recruit four or five key people soon, including a director general and department heads.

Meanwhile, many of the officials who served the EMI's forerunner – the Basle-based EC central bank governors' committee – are returning to their national central banks at the end of three year secondments.

Officials say the EMI has "hundreds of candidates" for senior posts, mainly nominated by EU central banks, but they cannot be selected until the terms and conditions of employment are fixed.

Among unresolved questions are whether non-German officials should be given expatriate allowances as an inducement for living in Frankfurt or whether there *should be some other form of dis*location allowance for new employees of the institute that does not discriminate against Germans. Mr Lamfalussy will have to fight for conditions that are good enough to attract high quality staff to the EMI.

The EU central banks believe the EMI should be kept on a tight budgetary rein so that there is no suspicion of the extravagant behaviour that marked the start-up of the London-based European Bank for Reconstruction and Development.

*In the meantime, Mr Lamfal*ussy is unable to provide the officials to chair the various EMI sub-committees responsible for guiding the current second stage of European economic and monetary union. A key test of the EMI's status will be whether his staff take over such duties when it is properly operational later this year.

Although tough battles lie ahead, Mr Lamfalussy has one thing in his favour: he was asked to do the job of EMI president. As long as the majority of EU states are committed to Emu, they have a vested interest in ensuring that the EMI plays a constructive part in the process, even though the Maastricht treaty is vague about the institute's precise role.

US seeks EU's help to open up Japanese markets

By Jurek Martin in Brussels

The US is to ask the European Union to join an effort over the next month to persuade Japan to open domestic markets further.

Mr Mickey Kantor, the US trade representative, will propose *today to Sir Leon Brittan, the EU* trade commissioner, that trade ministers from the so-called Quad countries – the US, EU, Canada and Japan – hold a special meeting, probably early next month, to discuss the issue.

Mr Kantor told the Financial Times in Brussels that "a window of opportunity" was open between January 29, by which time Japan is expected to have passed new economic stimulus measures, and mid-February.

Mr Morihiro Hosokawa, Japan's prime minister, is due in Washington on February 11, while Mr Peter Sutherland, director general of the General Agreement on Tariffs and Trade, has invoked a February 15 deadline for the presentation of new market access proposals.

Noting European dissatisfaction with recent Japanese offers on white spirits, copper and other commodities, Mr Kantor said it was time for the US and the EU to go "shoulder-to-shoulder" to impress on Tokyo the need for greater initiatives.

Quad officials already have a meeting scheduled for January 19. Assuming Sir Leon attends, that could be followed by a full ministerial session roughly two weeks later.

Mr Kantor emphasised that it was incumbent on all the industrialised nations to open and build their domestic markets.

Mr Kantor was added to President Clinton's European travelling party *last week* not only, he said, to propose a harder line with Japan. Also on his EU agenda is following up December's Uruguay Round and reaching agreement opening up European *procurement policies on* heavy electrical equipment.

Hectic three months, Page 3

THE LEX COLUMN

Hot property

The speed of the revival in the UK property market, following its worst recession in decades, has been remarkable – in stock market terms, at least. The intriguing question is how much more there is to come. Since sterling's exit from the exchange rate mechanism, the market value of property shares has risen almost three-fold to £15bn. Some companies have shown even more startling gains. For example, British Land, boosted by the company's association with the omnipresent Mr George Soros, has seen its shares jump from 110p to 411p.

Big property companies have taken *advantage of the market's enthusiasm* to raise £1.4bn of new equity. That has given them leeway to buy properties and shore up strained balance sheets, underpinning dividends and further enhancing the sector's appeal. Even the wave of new issues has scarcely dampened investors' ardour.

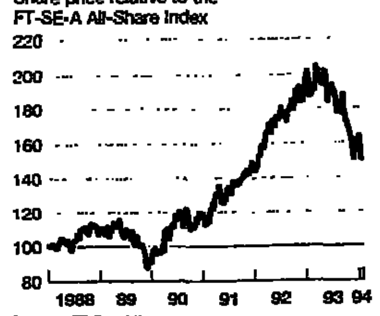
Investment demand has been driven by comparative yield considerations. With long dated gilt yields falling below those on property, fund managers have shown a voracious appetite for both bricks and mortar and their paper substitute. Some estimates suggest £10bn of investment *money* is looking for a home in property, depressing last year's double-digit yields on prime London offices to 7 per cent. Likewise, the yield on property shares has been chased down from a peak of 9.5 per cent at the end of 1992 to 3.5 per cent – although part of that fall reflects dividend cuts. Share ratings have risen so fast that many property companies are trading at a premium to net asset values. The tacit assumption is that these asset values are significantly understated.

However, the surge of investment interest has discouraged owners from selling both physical assets and shares, further squeezing up prices. Such is the level of demand that some segments of the market appear in danger of overheating. Yields on some prime retail sites have dropped as low as 4 per cent – within range of their historic lows – suggesting some worryingly indiscriminate buying.

Property has traditionally been viewed as a quasi-equity investment, providing a good hedge against inflation with the prospect of capital growth. Yet investors currently seem to regard it more as a bond with a fixed income stream. That may prove reasonable if inflation remains low and the comparative virtues of property *against gilts and equities remain* solid. But current yields leave little by

Bowater

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

way of risk premium. The danger comes if the economy stalls, interest rates rise, rental growth remains elusive and the government starts tampering with the tenant law.

Such doubts make it unlikely that property shares will keep rising at such a prodigious rate this year. But while there may be some bumps along the way, the longer term direction still looks assured. Property remains a highly cyclical investment and the upswing is still in its infancy. At its last peak in 1988, the property sector accounted for 4.2 per cent of the equity market's total capitalisation. Despite the recent surge, it accounts for just 2 per cent today.

US airlines

The US transportation secretary's proposals to allow foreigners to increase their ownership of US airlines from 25 per cent to 49 per cent will raise a small cheer among high-flying European airlines. The move seemingly represents a further step *towards liberalisation of the skies. But* the US Congress has yet to have its say; it is not yet clear what the US will demand from European governments in return.

Moreover, at present, all it would mean for European airlines is that they could buy bigger stakes in loss-making businesses. The US market may have experienced a pick-up in demand as economic recovery has gathered pace. With the exception of *USAir, all the major carriers have* posted third-quarter profits. But a recent bout of seasonal discounting has again disfigured the market. The growth of airlines such as Southwest Airlines, which offers cheap point-to-*point services rather than the tradi*tional hub-and-spoke operations, will also limit the scale of any profits upswing.

US carriers are having to respond to such pressures with ever more inventive means of *cutting costs. United's* plan to sell stock to its unions represents the boldest move. USAir is attempting to cut operating costs by minimising the time its airplanes spend on the ground. Besides, Euro*pean carriers' ambitions* to expand in the US may be limited by worries of their own. Most state-owned European airlines have far more bloated cost structures. There is also a danger that concealed forms of state subsidy in Europe will keep excess capacity in the air, with the same devastating impact on industry profitability as Chapter 11 produced in the US.

Bowater

When a company is de-rated as sharply as Bowater has been over the past few months, the suspicion is that something sinister is at work. But in Bowater's case, it may reflect little more than fashion. After being the belle of the packaging *ball throughout the recession* due to its defensive charms, Bowater is now looking less modish in recovery. The turn of the investment cycle has *resulted in more volatile second-line* stocks picking up speed at Bowater's expense. At its peak, Bowater accounted for some 35 per cent of the sector's value. That has now slid to 23 per cent.

Although earnings' forecasts for Bowater have remained largely unchanged, *some concerns about* its strategic thrust have surfaced. The past two years have seen a whirlwind of corporate activity, with Bowater spending £844m on acquisitions and issuing £630m of new equity. The management – *and the market* – have been striving to make sense of this reshuffled pack of assets. The task has been complicated by some of its new businesses in cosmetics and medical packaging running into the brunt of recession in mainland *Europe*.

It has also proved hard to lift volumes and prices in the UK, ensuring lacklustre growth in underlying organic earnings. Supermarkets are squeezing food packaging prices hard and the photographic *market remains* tough. With gearing at the year-end likely to be just under 50 per cent and the market still awash with Bowater paper, Bowater has little option but to make the best of what it has got. At *least its US and Australian operations* are showing more bounce.

Concession on UK Channel rail link may boost sell-offs

By Charles Batchelor, Transport Correspondent, in London

A private UK rail company planning a freight link to the Channel tunnel between England *and France has been given the* right to own the track in a key concession which could reopen the debate over a central component of the government's plans for rail privatisation.

The Department of Transport has allowed the Central Railway Group to negotiate the purchase of the track it needs to set up a 180-mile link between the Midlands and the tunnel.

The government concession is a direct challenge to Railtrack, the company set up to own and manage former British Rail lines from April. Railtrack is in the midst of tense negotiations with the Treasury over the value of its assets.

The concession meets one of the main reservations expressed by potential bidders for rail fran*chises. If it were extended to* other potential private rail operators, more might be attracted to bid for franchises.

Most of Central Railway's route runs along disused British Rail *track or alongside existing lines*, but it crucially includes 40 miles of British Rail's Chiltern lines which run into London's Marylebone station.

Sea Containers, the shipping *company which is a potential bid*der for a British Rail franchise, said the concession was "very interesting and encouraging to other bidders. But it depends on how far the government is prepared to go with it."

Mr Roger Freeman, the transport minister, in a letter dated July 15, 1993, gives permission to the Central Railway Group "to negotiate with Railtrack with a view to establishing the terms on which railway infrastructure and operational land could be acquired." The letter is reproduced in a fund raising prospec*tus published by the group.*

The government has said most of the British Rail network will be owned by Railtrack; the only previous exception allowed was the Isle of Wight's railway net*work. But pressure is growing for* Scotrail, the Scottish network, to be sold off too. The ban on owning the track has been criticised by several potential bidders for BR franchises. The founder and *chairman of the Central railway* Group, Mr Andrew Gritten, said ownership of the track was essential if the company was to raise finance for the project, which is expected to cost £3bn.

The company is attempting to raise £6m ($9m) from City institutions to prepare the project for parliamentary approval. A second stage fund-raising of £25m is planned to obtain a stock market listing which, it is hoped, will raise nearly £1bn. At the time of listing £2.1bn of debt would also be raised.

Paramount

Continued from Page 1

QVC is expected to announce the *percentage of shareholders* accepting its offer and whether it is extending it. Paramount's board will meet this week to consider the Viacom offer.

QVC said on Friday night that *it did not regard the new Viacom* move as a genuine increased offer which, under the rules set for the takeover battle, would inevitably trigger a further round of bidding.

Many traders felt the struggle could still have a considerable way to run, with each side slowly increasing its offers.

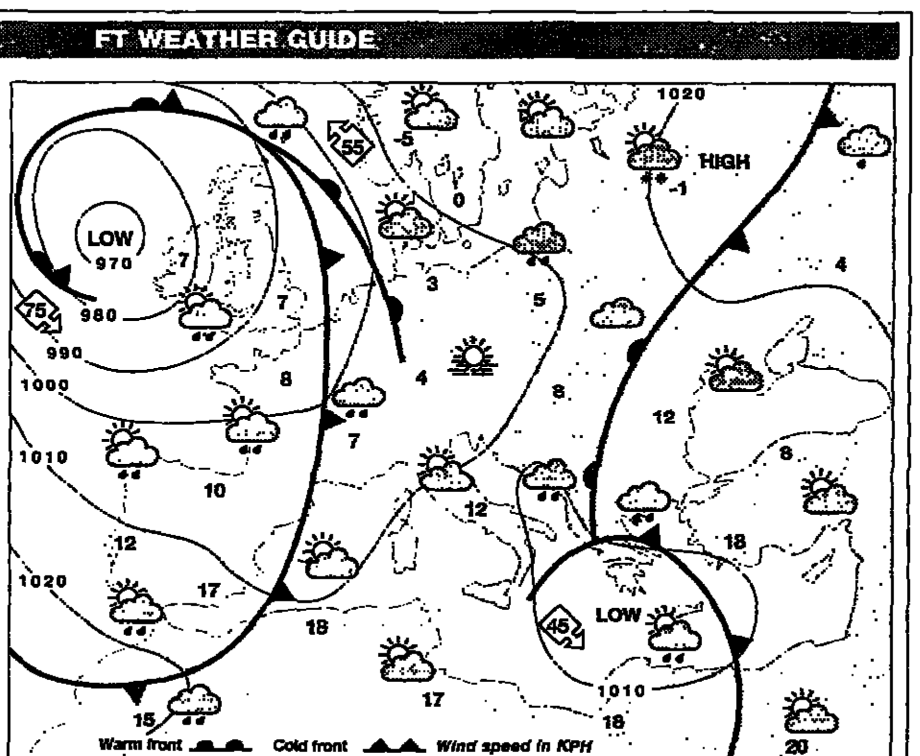
FT WEATHER GUIDE

Europe today

A vigorous depression west of Ireland will give showers or outbreaks of rain to most of western Europe. Some parts of the British Isles and France may once again have long periods of rain. There is the risk of gales, especially along the coasts of France and southern Ireland. There will be sunny periods in central Europe where it will remain dry until this evening. In some areas there will be morning fog. Italy will have sunny periods and dry conditions. A low pressure area south of Greece will bring rains or showers to south-eastern Europe. Scandinavia will have dry, but cold conditions, with most of the sunshine in central regions.

Five-day forecast

A series of depressions will bring more showers or outbreaks of rain to western Europe. The Mediterranean will continue unsettled with frequent showers. Later in the *week an area of high pressure will bring drier* conditions. Central Europe will have precipitation, especially over the southern Alps. In the northern Alps there will be less snow . It will remain cold in most of Scandinavia where outbreaks of snow will begin on Wednesday. In the southern regions later some outbreaks of rain are possible.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	25
Accra	fair	32
Algiers	cloudy	19
Amsterdam	cloudy	6
Athens	rain	15
B. Aires	fair	25
B.ham	shower	7
Bangkok	cloudy	34
Barcelona	fair	14
Beijing	fair	2
Belfast	hail	7
Belgrade	fair	13
Berlin	fair	2
Bermuda	fair	23
Bogota	fair	21
Bombay	fair	32
Brussels	cloudy	7
Budapest	cloudy	7
C.hagen	hazy	2
Cairo	fair	20
Cape Town	fair	25
Caracas	cloudy	28
Cardiff	shower	7
Chicago	snow	-1
Cologne	fair	7
D' Salaam	fair	29
Dakar	fair	25
Dallas	fair	18
Delhi	fair	24
Dubai	fair	24
Dublin	shower	7
Dubrovnik	fair	15
Edinburgh	rain	7
Faro	shower	15
Frankfurt	fair	5
Geneva	fair	7
Gibraltar	shower	17
Glasgow	shower	7
Hamburg	hazy	3
Helsinki	fair	-2
Hong Kong	fair	22
Honolulu	fair	27
Istanbul	fair	14
Jersey	shower	8
Karachi	fair	23
Kuwait	fair	19
L. Angeles	fair	20
Las Palmas	fair	21
Lima	fair	23
Lisbon	shower	11
London	rain	8
Lux.bourg	fair	5
Lyon	fair	8
Madeira	drzzl	18
Madrid	rain	8
Majorca	fair	16
Malta	sun	17
Manchester	shower	8
Manila	shower	32
Melbourne	fair	28
Mexico City	cloudy	17
Miami	rain	22
Milan	fair	6
Montreal	sun	-12
Moscow	snow	-3
Munich	hazy	5
Nairobi	fair	28
Naples	sun	15
Nassau	rain	22
New York	sun	-2
Nice	shower	10
Nicosia	fair	20
Oslo	fair	-6
Paris	rain	7
Perth	fair	28
Prague	fair	2
Rangoon	fair	32
Reykjavik	sleet	2
Rio	shower	28
Riyadh	fair	21
Rome	fair	16
S. Frsco	cloudy	11
Seoul	fair	6
Singapore	rain	30
Stockholm	fair	-3
Strasbourg	fair	5
Sydney	fair	29
Tangier	rain	14
Tel Aviv	sun	22
Tokyo	fair	9
Toronto	cloudy	-8
Tunis	fair	17
Vancouver	rain	7
Venice	hazy	9
Vienna	fair	5
Warsaw	fair	6
Washington	sun	1
Wellington	fair	18
Winnipeg	snow	-21
Zurich	fair	5

FINANCIAL TIMES
COMPANIES & MARKETS

Monday January 10 1994

China to launch $100m fund in London

By Simon Davies in London

The investment arm of China's Guangdong Provincial Government is launching a $100m direct investment fund which will be listed on the London Stock Exchange. It will be the first Chinese development fund to be endorsed by a state government.

The Guangdong Development Fund will invest in a wide range of projects in what is China's wealthiest province, and the management role of the provincial government should ensure rapid deal flow.

A subsidiary of Guangdong Enterprises – the Guangdong government's investment arm – is to invest $10m in the fund. Barclays de Zoete Wedd, the sponsor to the issue, will invest a similar amount, and it is planned that a further $80m will be placed out to US and European institutions.

Since Deng Xiaoping's 1992 visit to Guangdong alerted international fund managers to the changes taking place in southern China, there has been a flood of China funds listed, primarily in Hong Kong, New York and Dublin. Many of these funds have been slow to invest beyond the Chinese and Hong Kong stock markets, and most of the asset appreciation has come from Hong Kong-listed China concept stocks.

Mr Victor Chu, a veteran China investor whose First Eastern China Investment will be co-manager of the fund, *claims* the Guangdong Development Fund will be fully invested within 15 months, and only 10 per cent can be invested in equities. He said: "1994 is going to be a difficult year in China. Even good state companies will find it difficult to expand capacity, but this will create investment opportunities."

The fund has already signed letters of intent for up to five projects which would absorb around 25 per cent of its capital.

The Guangdong Development Fund is looking to invest in infra-structural projects and light industries within Guangdong Province, which borders Hong Kong.

GM sets US profit aims after turnround

By Kevin Done, Motor Industry Correspondent in Detroit

General Motors of the US, the world's largest vehicle maker, has set the target of achieving a net profit on its North American automotive operations in 1994 after three years of heavy losses, Mr Jack Smith, chief executive, said last night.

GM, which still lags behind the financial performance of Ford and Chrysler, its domestic US rivals, had achieved an operating break-even on its North American automotive operations in 1993 before interest and tax, he said. This represented a turnround of more than $10bn since 1991 and of $4.5bn in 1993 alone, Mr Smith told the Automotive News World Congress.

Mr Smith, who became chief executive in November 1992 after a boardroom coup, warned that GM's North American production costs were still high, and that the group's balance sheet was "still too weak".

However, GM's Opel/Vauxhall car and light commercial vehicle operations in Europe had remained "significantly in the black", said Mr Rick Wagoner, GM finance director.

GM Europe remained the most profitable volume carmaker in Europe last year, in contrast to the heavy losses suffered by its leading rivals including Volkswagen, Ford of Europe, Fiat and Peugeot Citroën. It is understood to have achieved a profit of $400-$500m in 1993, in spite of a fall of around 15 per cent in west European new car sales.

Mr Wagoner said that GM Europe had incurred substantial restructuring costs in 1993 to reduce its workforce and its financial performance should improve in 1994.

He added that in North America GM had operated at 75-80 per cent of its capacity but was aiming to reach 100 per cent capacity utilisation by 1996 through continuing plant closures, already announced, and rising output.

Mr Smith said that GM's top short-term priority for the past two years had been to "stop the bleeding from its North American automotive operations through improved product quality, a big reduction of unprofitable sales to daily rental fleets with greater emphasis on retail sales, reduced costs and lean manufacturing".

The biggest cost reductions in the short-term – $4bn between the end of 1990 and the end of 1993 – had been achieved in purchasing, where 27 North American purchasing units were consolidated into one.

Martin Dickson reports on the merger of Blockbuster and Viacom for the Paramount bid

Unlikely duo in the world of entertainment

It is a blockbuster of a deal, in both name and nature, but the $8.4bn merger agreement unveiled on Friday night by cable television company Viacom and video retailer *Blockbuster Entertainment* is getting unenthusiastic early reviews on Wall Street.

The deal is the most startling alliance yet to emerge from the five-month-long takeover battle for film and book group Paramount Communications, in which rival bidders Viacom and QVC Network have gathered around them groups of allied media and telecommunications companies.

It also looks a considerable coup for Mr Wayne Huizenga, Blockbuster chairman, who in seven years has turned the business from a tiny chain into the world's largest video retailing empire, and has been trying to transform it into a broader entertainment company. To that end, Blockbuster agreed last September to provide $600m to back Viacom's bid. On Friday, it agreed to put up a further $1.25bn in return for Viacom stock, allowing Viacom to increase the amount of cash in its cash-and-stock bid for Paramount.

At the same time, Viacom has agreed to take over Blockbuster via a stock swap worth some $8.4bn – a deal meant to go ahead irrespective of whether the alliance wins Paramount.

Wall Street is unimpressed. First, the deal seems a convoluted way of keeping highly-leveraged Viacom in the battle for Paramount, particularly as the new offer is in important respects inferior to the offer already on the table from QVC.

Viacom has increased its *cash offer for just over 50 per* cent of Paramount's stock from $85 a share to $105, which compares with $92 from QVC. But Paramount has lowered the value of the securities being offered for the remaining 49 per cent to $52, based on Friday's closing stock prices, compared with around $75 from QVC. Viacom's total bid is thus worth around $78 a share, while QVC's stands at $83.

Second, Wall Street is sceptical as to what Viacom will gain from a merger with Blockbuster, apart from immediate access to cash, a better chance of winning an already expensive Paramount, and a somewhat stronger balance sheet.

At first glance, the two appear complementary. Viacom's main business is the creation of entertainment "software", through cable television channels such as MTV, the pop music network, and Nickelodeon, a channel for children.

Blockbuster's main business is entertainment distribution, through video rentals. Some analysts question the benefits of linking these two sides. The rental business looks very vulnerable to the technological revolution in the US communications industries. This promises a world of inter-active, multi-media home entertainment, where consumers can call up a movie at the touch of a remote control button, rather than trudging to a video store.

Blockbuster is the creation of Mr Huizenga, who started out as a rubbish collector in Florida and built this into Waste Management (now known as WMX Technologies), America's largest rubbish removal company.

He retired from Waste Management in 1984 and three years later invested in the then tiny Blockbuster.

Blockbuster now accounts for some 15 per cent of the US home video market and has 3,500 stores in nine countries. Even though the US rental market is mature, its income and revenue ($142m and $1.2bn in 1992) have been growing strongly, partly by capturing business from smaller rivals and partly from diversification.

Blockbuster is now the third largest record retailer in the US, and has a separate joint venture with Britain's Virgin to develop music mega-stores.

It also has interests in two small Hollywood film production companies and it is planning to build an entertainment village in south Florida.

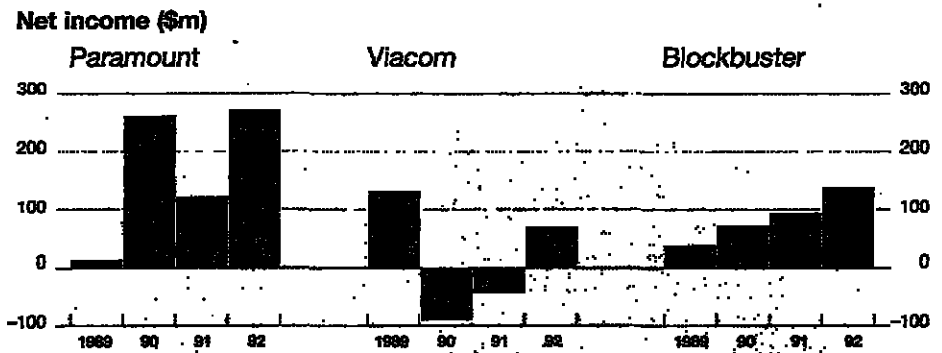
None of Blockbuster's diversifications will add significantly to the impressive software assets that would be fielded by a merger of Viacom and Paramount, and analysts are sceptical of the claims by Mr Sumner Redstone, Viacom chairman, that Blockbuster gives him "extraordinary capacity to exploit worldwide opportunities" in the entertainment business.

Admittedly, Viacom is not paying much of a premium to gain control of Blockbuster. Shareholders are being offered around $31 a share, which compares with Blockbuster's close on Friday of $28¼ and a 52-week high of $34¼.

The 70-year-old Mr Redstone will retain control of the combined group, with 61 per cent of its voting stock, while Mr Huizenga, 55, will become vice-chairman.

Friday's deal has left some analysts wondering not only if Mr Redstone has the firepower to win Paramount, but whether he may have just hitched a ride into the brave new multi-media future on the technological equivalent of a horse and buggy.

The picture at Paramount



Paramount	Viacom	Blockbuster
Market capitalisation: $9.3bn	Market capitalisation: $2.6bn	Market capitalisation: $6.8bn
Employees: 12,650	Employees: 5,000	Employees: 23,100

Sep 12 Viacom announces $8bn agreed takeover of Paramount.
Sep 20 QVC launches rival $9.5bn bid.
Sep 23 Viacom sues to prevent QVC proceeding.
Nov 8 Viacom's second increase raises offer to just over $10bn.
Nov 12 QVC steps up bid to $10.8bn
Nov 16 Legal action by QVC against Paramount - Viacom poison pill starts in Delaware.
Nov 24 Court rules in QVC's favour, which throws opens bidding war.
Dec 22 Paramount recommends QVC bid worth $10bn after receiving new bids two days before.
Jan 7 Viacom announces merger with Blockbuster to finance higher bid.

Subpoenas served in case of UBS dismissal

By Robert Peston in London

Mr Terry Smith, one of the City of London's best known investment analysts, is serving subpoenas on three leading industrialists as part of his case for unfair dismissal against UBS Securities, the investment bank subsidiary of Switzerland's biggest bank.

He has filed subpoenas in the high court for the attendance at his case of Sir Colin Marshall, chairman of British Airways, Sir Allen Sheppard, chairman of Grand Metropolitan, and Mr Robert Montague, Tiphook chairman.

Mr Smith was sacked by UBS in October 1992 after he refused to cancel publication of a book, Accounting for Growth, which is critical of the accounting techniques used by many of the UK's biggest companies, including the drinks group Grand Metropolitan. He believes he was dismissed in part because of complaints about the book from GrandMet and other companies, though UBS has denied this. It said he was dismissed because he breached internal procedures for vetting the contents of the book.

The trial, which begins later this year, is likely to be a focus for the long-running City debate on whether analysts are free to write impartial reports on companies which are the customers of their firms.

UBS is suing Mr Smith for breach of copyright in relation to the book. Mr Smith is suing UBS for breach of contract and unfair dismissal. He is claiming around £600,000 in lost remuneration and legal costs.

Markets this week

Starting on page 20

PETER MARTIN: GLOBAL INVESTOR

The death of vertical integration has been a constant theme of *world* business over the past 30 years. But *it is still* influencing the investment opportunities in manufacturing industry. Page 20

PETER NORMAN: ECONOMICS NOTEBOOK

Early next month, policy makers worldwide *should receive* a rulebook on how to monitor economies. It will mark a breakthrough of sorts, but many will say an opportunity has been missed. Page 10

Bonds:
Borrowers have dashed to launch new year eurobond issues. While several sectors saw substantial new supply, one of the most interesting was the Eurolira. Page 22

Equities:
The re-appearance of US buyers at the end of last week rescued London from what was looking like prolonged post-Christmas indigestion. Page 23

Emerging markets:
Few expect Warsaw to repeat last year's average *700 per cent capital gain.* But the profits have attracted the attention of politicians keen to raise taxes. Page 21

Currencies:
With US-Japan trade talks to begin in Tokyo this week, a key question will be the sensitive relationship between the dollar and yen. Page 21

STATISTICS

This week: Company news

METALLGESELLSCHAFT/SIEMENS

Germany due for a respite from nasty shocks

The worst should be over by Wednesday evening. By then, Metallgesellschaft's corps of shell-shocked shareholders and bankers *is due to have delivered its verdict* – along with pledges to stump up DM3.2bn ($1.86bn) – on the new management's rescue plan.

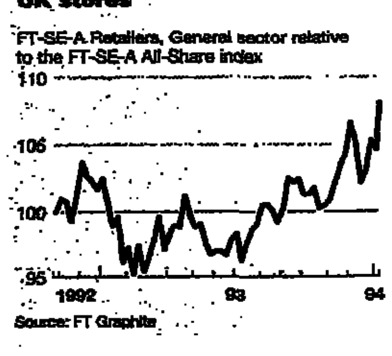
Provided there are no further unpleasant surprises from the metals, mining and engineering group, things should start to improve on Thursday. That is when Mr Heinrich von Pierer, chairman of Siemens – the epitome of German corporate conservatism – will reflect on a sound year and perhaps offer some more tangible evidence of economic recovery than the "light on the horizon" allegedly detected by Bundesbankers and assorted pundits.

Mr Kajo Neukirchen, the new Metallgesellschaft chairman and renowned company doctor, is also expected to make an appearance before the press to throw more light on how he hopes to take the group forward.

Although the financial rescue package is the work of Deutsche Bank and Dresdner Bank, his role should not be under-estimated. As one industrialist remarked, "wherever they put him in, I'll put my money in behind *him." Which may be of some comfort* to creditor bankers. One of them, despite an attack of the horrors over the revelation of a DM1.8bn loss at MG Corp in the US, said: "I'd love to see what the poor blighter can do when he gets to run a good company."

Mr von Pierer is in that fortunate position. At the Siemens annual press conference he will review the group's 1.3 per cent net earnings gain for last year. It was not much, but given the sea of red-ink engulfing much of corporate Germany, it was as welcome as the *group's plan to* invest DM2.4bn in a new semiconductor plant in Dresden. Those looking for more good news will focus on the order book.

UK stores



Source: FT Graphite

UK RETAILERS

Flurry of news to test the anecdotes

After conflicting messages from Dixons and Boots last week, a clearer picture of UK retailers' fortunes in the vital Christmas trading period may emerge this week, with at least four leading groups due to make trading statements.

Dixons rushed out a profits warning last Thursday, which contrasted with anecdotal evidence of brisk seasonal trading. Boots, however, reported sales up 7.2 per cent, and is thought to be more representative of the sector.

On Tuesday jewellery group Signet (formerly Ratners) and Storehouse, the clothing group, will report. Signet shares were hit in December by rumours that sales were down. But at least one analyst expects the group to announce a recovery. Storehouse *is expected to follow* a good Christmas last year with sales increases of about 6 per cent at BHS and 10 per cent at Mothercare.

Body Shop, which last year reported an 8 per cent drop in like-for-like Christmas sales, is expected to report better news on Thursday. Analysts expect growth of 4.5 per cent including new stores. Friday's statement from catalogue retailer Argos is also expected to be positive.

Next and Sears are still considering whether to make statements, while *Kingfisher is tipped to* make its first ever Christmas statement before the end of the month. Marks and Spencer is waiting until mid-February.

OTHER COMPANIES

Bidders line up for Italian phone prize

Bidders for Italy's second mobile communications network will be working flat out this week to finalise preliminary proposals before the pre-qualification deadline on Saturday.

After months of false starts, the initiative to liberalise Italy's cellular phone market, hitherto monopolised *by the state controlled Sip group, and* to set up a new GSM-standard network, is moving ahead in earnest. Italy is one of Europe's fastest-growing mobile phone markets, with more than 1.1m subscribers to the existing network.

The four consortia in contention are: Unitel (Fiat, Fininvest, Vodafone); Omnitel (Olivetti, Swedish Telecom, Bell Atlantic, Cellular Communications, Lehman Brothers); Pronto Italia (Pacific Telesis and a number of medium-sized Italian companies); and Etra (Eni group, BellSouth, Millicom, Premafin). The concession is expected to be *awarded by the end of April.*

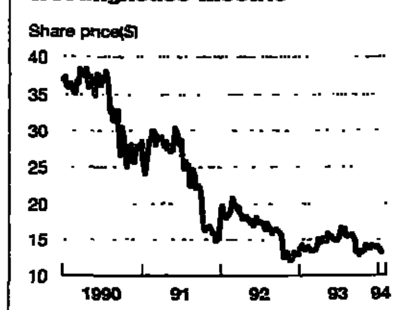
■ Westinghouse Electric: On Tuesday Mr Michael Jordan, chairman of the troubled conglomerate, will brief Wall Street analysts for the first time since his appointment last June. He is expected to spell out his strategy for turning the company around.

Mr Jordan, formerly a senior executive with PepsiCo, replaced Mr Paul Lego, who resigned from the chairmanship under boardroom pressure a year ago because of Westinghouse's *poor performance.*

■ J.P. Morgan: The US bank should enjoy a temporary respite from the furore over its entanglement with the struggling Spanish bank Banesto when it reports fourth quarter results on Thursday. The figures are expected to cap a strong 1993, with market projections putting earnings per share for the year at $8.20-8.50, compared with $5.63.

The earnings momentum in the last quarter is likely to have slowed, though. The question for 1994 is: will a tail-off in trading income lead to a slump in earnings?

Westinghouse Electric



Source: Datastream

■ Tomkins: In the UK on Monday, the industrial group Tomkins reports half-year results. The market will be looking for reassurance over Ranks Hovis McDougall, acquired a year ago. The milling and baking subsidiary has dragged down its parent's stock. Analysts are expecting pre-tax profits of about £87m ($130m), up from £47.1m.

■ Rank Organisation: On Thursday the leisure group will report annual results amid speculation about the dent in the figures caused by the decision of its joint venture partner Xerox to cut its workforce. Analysts are looking for pre-tax profits in the region of £264m, up from £230.1m.

Companies in this issue

Buying the Bactroban with the bath oil

Guy de Jonquières on why SmithKline Beecham has reshaped its consumer brands side

SmithKline Beecham, the pharmaceuticals group, will today set the seal on a year-long reorganisation of its consumer brands business by giving it a new name. In future, the business, which last year provided almost a quarter of the group's £5.2bn turnover, will be known as the consumer healthcare division.

Behind this apparently trivial detail lies a drive to ride a wave of change sweeping through the world pharmaceuticals industry. SB aims to sharpen the international marketing thrust which it, and many rivals, believe will be increasingly important to success in the future.

The most powerful impetus is the industry-wide stampede to generate more business from over-the-counter drugs, as ballooning health budgets force governments everywhere to squeeze prescription medicine costs.

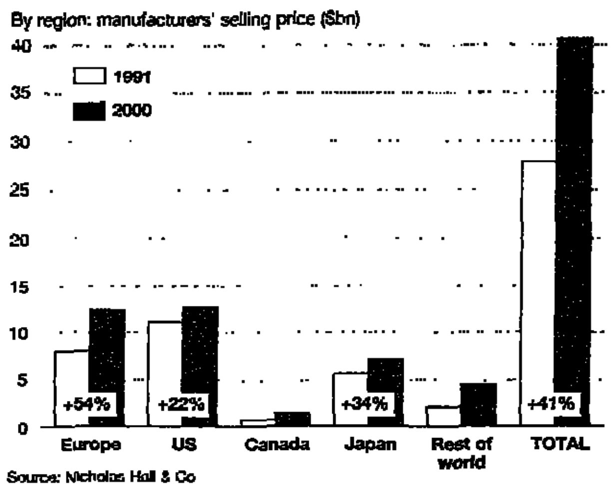
"Ten years ago, increasing OTC sales was tactically right. Today, it is strategically right", says Mr Harry Groome, chairman of SB consumer healthcare.

Competitors have drawn the same conclusion. Six months ago, Glaxo, Warner-Lambert and Wellcome joined forces to develop and sell OTC drugs. A year earlier, SB formed a joint venture for similar purposes with Marion Merrell Dow of the US.

History has endowed SB with some advantages in consumer marketing. It is relatively more exposed to consumer products than most of its large rivals, thanks to brands like Lucozade and Ribena soft drinks, Macleans toothpaste and Tums antacid tablets.

Over-the-counter drugs growth

By region: manufacturers' selling price ($bn)



Source: Nicholas Hall & Co

However, not all the brands fitted the company's newly-defined vocation as a healthcare supplier. Last year, it disposed of products including Brylcreem hairdressing, Badedas bath oil and the Silvikrin and Vosene hair care brands.

The streamlining leaves the consumer healthcare division focused on three main businesses: OTC drugs, currently about half its total sales; oral care, including toothpaste and brushes, which accounts for a further quarter; and nutritional products.

Mr Groome reckons the business will get off to a flying start this year when it launches in Britain a non-prescription version of Tagamet, its best-selling anti-ulcer drug, designed to treat heartburn. It also plans to market over the counter in the US anti-smoking gum and patches developed by Marion Merrell Dow.

Other candidates for OTC treatment include Bactroban antiseptic cream and its Relafin anti-arthritis drug. The company also sees a promising market in home diagnostic kits. By next year it reckons it will have five OTC products each generating annual sales of more than £100m.

Its confidence is inspired by the US, where sales of the most popular OTC drugs have increased on average two and a half times five years after they came off patent. That growth has offset their lower net profit margins which, at 10 to 15 per cent of sales, are half those on best-selling prescription drugs.

However, industry analysts point out that the OTC business has pitfalls. An OTC version of Tagamet will have to do a similar job to the prescription drug with a much lower strength. It also risks competing directly with Tums as an antacid treatment. And once Tagamet patents finally expire, rivals will be free to make it. "The market is going to be much more competitive", says one analyst.

SB has spent the past year girding for that challenge by overhauling its international marketing, which had been hampered by the company's division into loosely-linked geographic units. "There was no way to drive a cohesive marketing or product development strategy worldwide, because it quickly ran into geographic barriers", says Mr Groome.

After studying successful consumer products manufacturers, including Unilever, Mars and Procter & Gamble, SB set up six teams, each responsible for managing a product category. Headed by proven marketing executives and backed up by research and development staff, the teams are free to co-opt managers from the company's national subsidiaries.

The new approach is already paying dividends. Mr Groome says the division's sales rose by about 11 per cent in 1993 after stagnating in 1992.

Tighter cross-border co-operation has reduced the number of different toothbrush designs SB sells around the world, cutting manufacturing costs by £1m a year.

"Better co-ordination hasn't just saved on costs," says Mr Peter Glynn-Jones, SB's head of corporate strategy. "It means that if something has been done once by a group of experts, you can be sure it's right."

Product development has also been speeded up. Mr Glynn-Jones says a new toothbrush with a flexible head has been developed in 40 per cent of the time needed under the old system. SB aims to launch it in all its main markets in two years, instead of the four it would have taken previously.

The next challenge is to extend products across frontiers. This has advanced slowly since SB was formed in 1989 out of a merger between SmithKline French of the US and the British Beecham group.

Though the healthcare division's biggest markets are in the US, Europe and Japan, the only places outside Britain where many former Beecham brands, such as Horlicks, are sold are Commonwealth countries. Furthermore, the UK is still the only market in which all the division's three businesses are active.

Mr Groome says SB is considering launching nutritional drinks such as Ribena and Lucozade in the US. It also wants to broaden its product range in China, where its Contac anti-cold treatment is already selling well.

However, the division's ideas for expansion do not end there. It is also on the look-out for acquisitions and believes further strategic alliances will play a role. "We take a very pragmatic approach," says Mr Groome.

Pharmakopius seeks Stock Exchange listing

By Paul Taylor

Pharmakopius, a 10 year-old specialist international healthcare research and development company, is to seek a listing on the London Stock Exchange.

The group, which is based near Oxford, undertakes contract research and development work and provides the other services needed before a new drug can be licensed. Its customers include a wide range of pharmaceutical companies.

Dr Richard Smith, Pharmakopius' founder, chief executive and main shareholder, said the the flotation will probably be by way of a placing with institutional investors early this year and is likely to value the group at between £20m and £30m.

The issue is being sponsored by Allied Provincial Corporate Services.

Dr Smith, a former Reckitt and Colman director of research and development with more than 20 years' experience in the pharmaceutical industry, founded the company in May 1984 as a specialist consultancy. His close adviser is Mr Ronald Wing, a former managing director of Reckitt and Colman.

Since then the range of services offered by the group has been expanded to include all aspects of pharmaceutical product development from the end of the discovery process to obtaining product licences - including preparation of the important "data sheet."

Although turnover has been relatively flat throughout the recession at about £3.5m the group has continued to trade profitably despite substantial investments, mainly in specialist staff.

The group currently employs a core full-time staff of some 75 people, mostly highly qualified scientists.

Its client base of more than 150 includes some of the largest international pharmaceutical companies like Bayer, Roche Nicholas, Smith & Nephew and Wellcome.

Although it faces competition from the many small contract clinical research companies in the UK and has a few large competitors in the US, Dr Smith claims Pharmakopius is distinct from the the majority of healthcare companies.

The company expects to raise between £5m and £6m in new money through the flotation. The new funds will be used to expand the group's international operations and to further enhance its services to the pharmaceutical industry and strengthen its management team.

In addition the funds will be used to exploit the recently-acquired worldwide rights to a broadly based portfolio of prescription and over-the-counter products which are held by its subsidiary, Alpha Healthcare.

Technology and IBM make up

Technology, the UK's largest computer reseller, and International Business Machines have made up the quarrel which followed ICL's acquisition of Technology in July 1992, writes Alan Cane.

IBM at the time cancelled its pc distribution, forcing the reseller to seek other sources of supply for IBM machines. Technology had been an authorised IBM dealer for nine years.

Now IBM has agreed that Technology can sell its economy level Valuepoint range, Thinkpad notebooks and PS/1 computers.

IBM's advanced PS/2 computers are not part of the new agreement.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Williams Holdings (UK)	Corbin & Russwin (US)	Commercial locks	£54m	Reinforces refocussing efforts
MBO team (UK)	Unit of Asko Deutsche Kaufhaus (Germany)	Furniture	£25.5m	Non-core UK disposal
Nestle (Switzerland)	Goplana (Poland)	Food	£24m	Poland's biggest joint venture
Asahi Breweries (Japan)/ Itochu (Japan)	CSI Brewery (HK)	Brewing	£23.5m	Buying into China breweries
Pentland Group (UK)	Ellesse (Italy)	Sports goods	£19.7m	Complementary purchase
MBO team (US)	Unit of APV (UK)	Packaging	£19.4m	Sale continues restructuring
Glaverbel (Belgium)	Vertal (France)	Glass processing	£5m	UK's Rugby in cash sale
Allied-Lyons (UK)	Baker's Aid Co	Bakery equipment	n/a	Buy through US arm
Kleinwort Benson (UK)/ Tata Group (India)	Tata Asset Management (JV)	Fund Management	n/a	Sector liberalisation goes on
Daewoo (S Korea)/ Oltcit (Romania)	JV	Car manufacture	n/a	£105 investment planned

EFM Dragon $80m senior loan note issue

EFM Dragon, an East Asian investment trust, has issued $80m (£54m) of 15 year senior loan notes. It is believed to be the first UK investment to make this kind of issue, writes **Bethan Hutton.**

The notes, which have a fixed coupon of 7.26 per cent, were placed with US institutional lenders.

The trust currently has net assets of about £350m and only a small amount of gearing. Once the proceeds of the issue, arranged by Hambros Bank and Robert Fleming, are invested, the trust will be approximately 20 per cent geared, a relatively high level for its sector.

Mr Hamish Buchan, an investment trust analyst with NatWest Capital Markets, said the deal appeared to be designed to avoid currency risk.

"They are borrowing effectively in a matched currency, because so many currencies and economies in the East Asia region are dollar denominated or dollar linked", he stated.

Mr Michael Balfour, manager of the trust, described the coupon of 7.26 per cent as "very attractive", in the light of projected growth rates for economies in the region of 7 to 8 per cent a year.

The issue will give the trust flexibility to buy into markets at times of weakness.

Mr John Szymanowski, an investment trust analyst with SG Warburg, noted that current investment regulations meant that the interest would have to be paid out of dividend income rather than capital growth from the fund.

Dividend levels on shares in south east Asian markets tend to be low, but the effective rate of about 1.5 per cent spread over the whole fund should be possible to meet, he said.

The impact on dividend income to shareholders should be outweighed by improved capital gains.

Whitbread opens more Pizza Hut's

Whitbread has agreed plans with Compass, the catering group, to open about 50 new Pizza Hut outlets during the next 18 months in UK airports, railway stations, workplaces and other off-high street venues, writes Philip Rawstorne.

Whitbread opened 40 Pizza Hut outlets last year to bring the total to nearly 350.

The company also intends to continue the expansion of its other retail operations.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 09.01.94: Pool purchase price £/MWh	Final Prices for Trading on 12.12.93: Pool purchase price £/MWh	Final Prices for Trading on 12.12.93: Pool selling price £/MWh
0030	18.10	18.07	18.07
0100	34.71	35.29	37.85
0130	38.15	35.30	37.88
0200	38.15	35.30	37.88
0230	27.62	24.82	27.17
0300	27.62	24.82	27.17
0330	27.62	24.82	27.17
0400	22.56	22.58	24.84
0430	22.56	21.48	23.84
0500	20.49	21.48	23.84
0530	20.68	20.56	22.92
0600	20.68	20.56	22.92
0630	20.68	20.56	22.92
0700	21.03	20.91	23.27
0730	21.03	20.91	23.27
0800	20.57	20.91	23.27
0830	18.04	20.91	23.27
0900	21.03	20.91	23.27
0930	21.03	21.15	23.51
1000	21.03	21.49	23.85
1030	22.12	21.61	23.97
1100	22.14	22.37	24.73
1130	25.25	22.37	24.73
1200	29.63	30.82	33.17
1230	29.63	30.82	33.17
1300	29.63	30.82	33.17
1330	29.63	30.82	33.17
1400	24.05	22.95	25.30
1430	22.12	18.13	18.13
1500	18.06	18.11	18.11
1530	18.04	18.14	18.14
1600	18.05	18.17	18.17
1630	22.98	22.37	24.73
1700	28.66	29.39	31.74
1730	33.65	32.11	34.47
1800	33.65	32.11	34.47
1830	33.14	32.11	34.47
1900	33.14	32.11	34.47
1930	28.66	26.46	28.82
2000	26.56	25.37	27.73
2030	26.18	25.27	27.62
2100	22.63	22.95	25.30
2130	22.63	22.95	25.30
2200	22.40	22.17	24.53
2230	22.12	22.17	24.53
2300	18.05	21.26	23.62
2330	18.05	18.10	18.10
2400	18.01	18.03	18.03

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 10.01.94: Pool purchase price £/MWh	Final Prices for Trading on 13.12.93: Pool purchase price £/MWh	Final Prices for Trading on 13.12.93: Pool selling price £/MWh
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Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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COMPANIES AND FINANCE

US bank sought Banesto board changes last autumn

By John Gapper and Peter Bruce in Madrid

J.P. Morgan, the US bank advising Banco Español de Crédito (Banesto) before its board was dismissed two weeks ago, recommended to Mr Mario Conde, Banesto's former president, last autumn that he make changes in the bank's senior management as part of a recovery plan.

J.P. Morgan wrote to Mr Luis Angel Rojo, the governor of the Bank of Spain, on the eve of the intervention to say that it supported Banesto's former management. However, it has emerged that the US bank had told Mr Conde that it thought that several senior managers should be replaced.

J.P. Morgan is believed to have pressed for management changes that could have been announced early this year as part of its own recovery plan, which would have involved writing down Pta265bn ($2bn) of Banesto's assets immediately and raising new capital by measures including a convertible bond issue.

Mr Conde, meanwhile, has promised to hold a press conference this week, which would be his first public appearance since being removed as Banesto chairman.

It seems unlikely that Mr Conde will seriously challenge the central bank's intervention. He owns about 4 per cent of Banesto's equity and his personal fortune may depend on the bank recovering under its new management.

Mr Conde borrowed Pta70bn from Banco Central Hispano (BCH) to participate in the capital increase, lead by J.P. Morgan last year, pledging the shares he bought and the rest of his assets as a guarantee.

However, Mr Conde is likely to add his voice to growing opposition in Madrid to the possibility that the new Banesto management could write down the bank's capital, and thus the value of its current shares, before asking other Spanish banks to participate in a capital increase.

Mr Jose Maria Amesategui, the president of BCH, has publicly opposed a capital write-down. "It is the last thing they should do," he said.

Mr Alfredo Saenz, Banesto's acting president, has told shareholders he is "studying every possibility" to defend their interests. Opponents of an equity write-down argue that he should recapitalise the bank by selling assets.

MIM sells 4% Renison stake for A$43.7m

By Bruce Jacques in Sydney

MIM Holdings, the Australian mining group, has sold its 4 per cent interest in Renison Goldfields Consolidated, in a deal worth A$43.7m (US$29.3m).

The sale follows a review of non-core assets and was undertaken at A$5.50 a share, or A$12.8m below MIM's book value for the stake.

It is believed that the shares, which were sold through Potter Warburg, the Australian broker, were bought by a single offshore entity.

● The A$260m takeover bid by the Normandy Poseidon group for fellow Australian minerals group, Aztec Mining, has been put on hold by legal action.

Aztec is seeking further disclosure from Poseidon Gold, the Normandy Poseidon subsidiary which is making the bid.

The hearing, in the Federal Court, has been adjourned until January 12.

Czechs seek new partner for CSA

By Patrick Blum in Vienna and John Ridding in Paris

The Czech government is seeking a new partner for CSA, the troubled national airline, in which Air France, the Caisse des Depôts and the European Bank for Reconstruction and Development (EBRD) jointly have a 40 per cent stake.

Mr Jan Strasky, Czech transport minister, said that his government was ready to buy back Air France's stake, and sell it to another investor.

He denied negotiations were under way with Delta of the US, and suggested a Czech bank may buy Air France's stake. Analysts say this could only be a temporary solution to the crisis at CSA.

Air France, which invested in CSA in 1992 in a move to establish a base in eastern Europe, wants to maintain its participation, but on the condition that the original shareholder agreement is maintained.

Air France opposes a proposed change to voting procedures in which at least one of the six foreign shareholders must vote in favour of strategic and financial decisions.

CSA was partially privatised in 1992, with about 49 per cent of the shares remaining in state hands.

EBRD paid $30m for its 20 per cent, with the Caisse des Depôts, the French state financial institution, and Air France paying the same amount for their shares.

The bulk of Air France's investment was in the form of technical assistance, training and modernisation.

The Czech airline, burdened with ageing Soviet aircraft, expensive leases on new aircraft contracted before 1992, and a surplus of employees and unprofitable routes, has fallen deeply in the red with losses expected to be about Kcs1.2bn ($41m) for 1993.

The airline's worsening financial situation has caused growing tensions between its foreign shareholders and the government.

Italy's yen bond open to Japanese investors

By Tracy Corrigan

The Republic of Italy's Y300bn global bond offering, due to be launched today, will be the first yen deal available to all investors in Japan, as well as Europe and the US, following the liberalisation of Japanese financial regulations last month. It will be the largest yen offering outside the domestic market.

Previously, international bonds could only be sold in Japan after a 90-day lock-up period, and then only to large institutions. Because the Italian deal has a Securities Registration Statement, it can be placed with both institutional and retail investors in Japan.

The process is similar to registration with the Securities and Exchange Commission in the US market, and allows underwriters to sell bonds to a much broader investor base.

Daiwa Securities, one of the arrangers of the transaction, said that "the whole transaction could be absorbed in the domestic market, but that's not the purpose of the deal". If it were placed solely in the domestic market, it would be likely to become illiquid.

The seven-year issue is expected to be priced to yield 40-45 basis more than the No.140 Japanese government bond due June 2001. Following a further rally in the Japanese government bond market last week, this would give a yield of about 3½ per cent.

According to Mr Alberto Giovannini, head of the Italian Treasury's international borrowing programme, the pricing reflects an improvement in Italy's performance in the bond market in the last year.

However, with elections due later this year, Italian bonds could again become volatile in the face of political uncertainty.

Foreign borrowing for 1994 has not been set, but Mr Giovannini said that it would remain around 4 per cent to 5 per cent of total debt. Last year, Italy borrowed $12.5bn in international markets.

When the hedging had to stop

Metallgesellschaft lost DM800m on oil contracts, writes Richard Waters

Metallgesellschaft, the stricken German metals and oil trading group, puts its losses from oil derivatives for the year ended September at about DM800m ($470m). By the time it has shed all its unprofitable positions, a further DM1.5bn could be added, creating the most spectacular losses incurred through trading in the derivatives markets.

Could this disaster really have its origins in a misguided hedging strategy intended to reduce the group's potential losses from movements in the oil price?

The answer, according to people close to the group and traders in the oil derivatives markets with a close knowledge of its activities, is yes. However, as the losses began to mount through last autumn, further misjudgments by the group's management in the US added to the scale of the disaster.

At the heart of the company's difficulties lies a basic mismatch in the maturity of its commitments to deliver oil and oil products, and the derivative financial instruments used to hedge those commitments.

MG Corp, the US arm of the group, had been bent on an aggressive expansion of its energy business, both in gas and oil.

Through its 40 per cent stake in Castle Energy, a Pennsylvania refining and marketing company, MG had been widening its refining interests rapidly. Last year, Castle acquired Powerine, a California-based refinery. Its refining capacity is put by analysts at between 100,000 and 150,000 barrels a day.

The group is also reported to have had an ambitious marketing arm, buying and selling on energy products to a wide range of customers. Total sales are put at some 300,000 b/d.

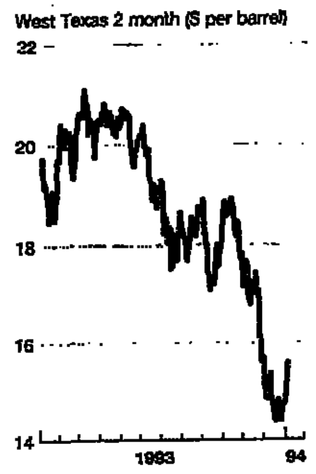
Yet the rapid growth of its refining and marketing operations left MG with a large risk. It was contracting to sell oil and oil products in the future at a fixed price which had been determined at the outset. However, it would have to buy oil to meet these commitments at the prevailing market price. If the oil price were to move up, it could face a big loss.

MG chose to hedge this risk mostly by buying short-term futures contracts. MG's operations on the financial markets were conducted through MG Refining and Marketing, the same New York-based subsidiary through which the physical side of the oil business was handled. The bulk of the trading was handled through the subsidiary's operations in Houston, a centre for much of the energy trading in the US.

MG had acquired a reputation as a moderately active trader in the over-the-counter derivative markets, though not one of the biggest. Its staff enjoyed a good reputation among Houston's small oil trading community, and it was known for hiring talented people. Last year, for example, it recruited Mr Kirk Kinnear, a former vice-president of Phibro, the energy trading arm of Salomon Brothers and a long-time participant in the derivatives markets, to run its growing swaps business.

Oil price

West Texas 2 month ($ per barrel)



Source: Datastream

But the group's hedging strategy proved a disaster. It appears to have been based on a belief which was widely held in the oil markets before this summer: that short-term oil prices would never fall much below long-term ones.

Ever since an active market in long-term oil derivatives developed in the late 1980s, traders say, short-term prices have remained higher than long-term ones (a phenomenon known in the oil market as backwardation, equivalent to an inverted yield curve in the interest rate markets).

A number of oil traders recall that it was an article of faith in their own firms that this phenomenon would persist, or that if short-term prices fell below long-term ones, it would be only marginally. Based on this presumption, the maturity mismatch in MG's hedging strategy posed few risks. It could even lead to a small profit if the oil market retained its gentle backwardation, since the company would profit from short-term trading gains.

The savage oil price fall last autumn revealed the flaw in this approach. The long-term oil price remained little moved, while the immediate market price fell some $5. Suddenly, MG was faced with big losses on its short-term derivative positions.

A number of questions remain. Why did MG not act earlier to change its hedging strategy? As the oil price slid, even before the crucial Opec meeting in November, it was clear that past assumptions about the pattern of oil prices might be challenged.

Were all its short-term positions in the financial markets the result of hedging, or was the company also speculating to try to make a profit?

It is clear that MG was running a large position: even with a $5 a barrel loss on all its derivative exposure, it would have needed an open position of 200m barrels in to take a loss of $1bn. That is equivalent to nearly two years' business through its refining and marketing arm, all of it hedged in the short-term market.

"That's a pretty big bet," said one experienced oil trader last week. "It certainly raises the question of when hedging turns into speculation."

Zenith and Novell in networking initiative

By Alan Cane

Zenith Data Systems, the personal computer arm of Groupe Bull of France, and Novell, the leading US computer networking software supplier, will today announce an initiative to simplify and cut the cost of networking for small workgroups.

The initiative, if successful, will strengthen Novell's hold on the networking market while throwing an additional lifeline to the troubled ZDS.

The two companies are launching a family of network servers, small computers which manage the information flow around a network.

Priced between $999 and $1,599, the servers claim to bring the advantages of shared information and services to groups of up to 20 staff without the disadvantages of traditional networking methods.

Setting up the specialised hardware and software for networking takes several hours and requires experienced engineers. These networks are too complex and expensive for small businesses or workgroups.

ZDS and Novell claim the new servers, the Z-Stor family, can be set up in less than 10 minutes by computing novices.

The Z-Stor units will be the first to use Novell's new operating software derived from its acquisition last year of Digital Research, a pioneer in operating software. The software is a competitor to Microsoft's MS/Dos and Windows, but Mr Bruce Fryer, ZDS product manager, said there was no intention of using Novell's system on other ZDS computers.

CONTRACTS & TENDERS

Placing power across borders

REPSOL
40,000,000 shares
to raise Ptas 109.4 billion
International Placing
Co-Lead Manager
Kleinwort Benson Securities
March 1993

NYK LINE
(Nippon Yusen K.K.)
1 7/8 per cent Notes with Warrants due 1997
to raise US$ 100 million
International Offer
Co-Lead Manager
Kleinwort Benson Securities
March 1993

3,700,000 shares
to raise FFr 2,035 million
International Placing
Lead Manager
Kleinwort Benson Securities
April 1993

Central Independent Television plc
6.5 per cent Euroconvertible Bonds due 2008
to raise £27.7 million
International Offer
Lead Manager
Kleinwort Benson Securities
April 1993

Metsä-Serla
3,460,000 B-Shares
to raise FIM 577.8 million
International Offer
Global Co-ordinator
Kleinwort Benson Securities
June 1993

AMS
Austria Mikro Systeme International
1,850,000 shares
to raise AS 621.6 million
International Offer
International Lead Manager
Kleinwort Benson Securities
June 1993

MACULAN HOLDING
305,820 ordinary shares
143,640 preference shares
to raise AS 427.7 million
Rights Issue and International Offer
Joint Global Co-ordinator
and International Lead Manager
Kleinwort Benson Securities
June 1993

YPF
Yacimientos Petrolíferos Fiscales (YPF)
160,000,000 shares
to raise US$ 3,040 million
Co-Lead Manager
Kleinwort Benson Securities
June 1993

MITSUBISHI OIL COMPANY, LIMITED
2 per cent Euroconvertible Bonds due 2000
to raise ¥30 billion
International Offer
Co-Lead Manager
Kleinwort Benson Securities
July 1993

LAFARGE COPPEE
6,665,000 units consisting
of one share and one warrant
to raise FFr 2.89 billion
International Offer
Senior Co-Lead Manager
Kleinwort Benson Securities
September 1993

BBAG
1,440,000 shares
to raise AS 885.6 million
Rights Issue and International Offer
International Co-Lead Manager
Kleinwort Benson Securities
September 1993

unitas
11,676,350 shares
to raise FIM 179,231,973
International Offer
Co-Lead Manager
Kleinwort Benson Securities
September 1993

SCOTIA Holdings PLC
14,000,000 shares
to raise £40.6 million
Domestic and International Offer
Global Co-ordinator
Kleinwort Benson Securities
October 1993

BNP
Banque Nationale de Paris
72,129,786 shares
to raise FFr 17.3 billion
International Offer
Co-Lead Manager
Kleinwort Benson Securities
October 1993

JINDAL STRIPS LIMITED
4.25 per cent Euroconvertible Bonds due 1999
to raise US$ 60.5 million
International Offer
Lead Manager
Kleinwort Benson Securities
November 1993

Gartmore
45,037,990 shares
to raise £75.7 million
International Offer
International Lead Manager
Kleinwort Benson Securities
November 1993

Central Puerto S.A.
1,753,375 American Depositary Shares
to raise US$ 133.6 million
International Offer
Co-Lead Manager
Kleinwort Benson Securities
November 1993

Costanera
CENTRAL COSTANERA S.A.
4,040,580 American Depository Shares
to raise US$ 96.9 million
International Offer
Co-Lead Manager
Kleinwort Benson Securities
December 1993

Föreningsbanken
171,060,000 series A ordinary shares
60,000,000 series C preference shares
to raise SEK 3.5 billion
Demutualisation,
Domestic and International Offering
Joint Lead Manager and Bookrunner
Kleinwort Benson Securities
December 1993

THE TAIWAN FUND, INC.
3,236,180 shares
to raise $ 80.5 million
Domestic and International Placing
Joint Lead Manager and Bookrunner
Kleinwort Benson Securities
December 1993

BUT
572,453 shares
to raise FFr 540 million
International Placing
Lead Manager
Kleinwort Benson Securities
December 1993

Credito Italiano
840,000,000 shares
to raise Lit 1,743 billion
International Offer
Co-Lead Manager
Kleinwort Benson Securities
December 1993

JINRO GROUP
SEOUL, KOREA
0.25 per cent Euroconvertible Bonds due 2009
to raise US$ 30 million
International Offer
Joint Lead Manager and Bookrunner
Kleinwort Benson Securities
December 1993

Netas
38,605,440 shares
to raise TL 830 billion
International Offer
Global Co-ordinator
Kleinwort Benson Securities
December 1993

Kleinwort Benson Securities

Issued by Kleinwort Benson Securities Limited, a member of SFA, the London Stock Exchange and ISMA.

The Markets

THIS WEEK

Global Investor / **Peter Martin**

Impact of an invisible trend

Some world-wide economic trends are easy for investors to come to terms with. Manufacturing is heading east? Buy Hong Kong. Interest rates are falling? Buy banks and property. Inflation's on the wane? Look for companies with long-term pricing flexibility.

And so on. Other trends are much harder to translate into investment decisions. We know the score, but can't quite see how to play it.

That's certainly the case with one of the profound trends reshaping manufacturing industry: the death of vertical integration. Not only is it difficult to disentangle the winners and losers; it is also hard to decide if this is an idea that has come and gone or if its full impact has yet to be felt.

After all, the sort of complete vertical integration once practised at Ford's Rouge plant – iron ore in one end, cars out the other – has been out of fashion for at least 30 years. It's been clear for nearly two decades that the US car companies' heavy reliance on in-house components put them at a significant competitive disadvantage to their Japanese rivals. And in the 1980s, industries as disparate as oil and computers started to look again at how vertically integrated they should be.

The trend though is still making itself felt. Last week ICL, the UK-based arm of Japan's Fujitsu, turned its factory into an electronics contract manufacturer, as part of its decentralisation plan. And Coopers and Lybrand's automobile experts announced that, though the car-makers have already moved away from vertical integration, you ain't seen nothing yet.

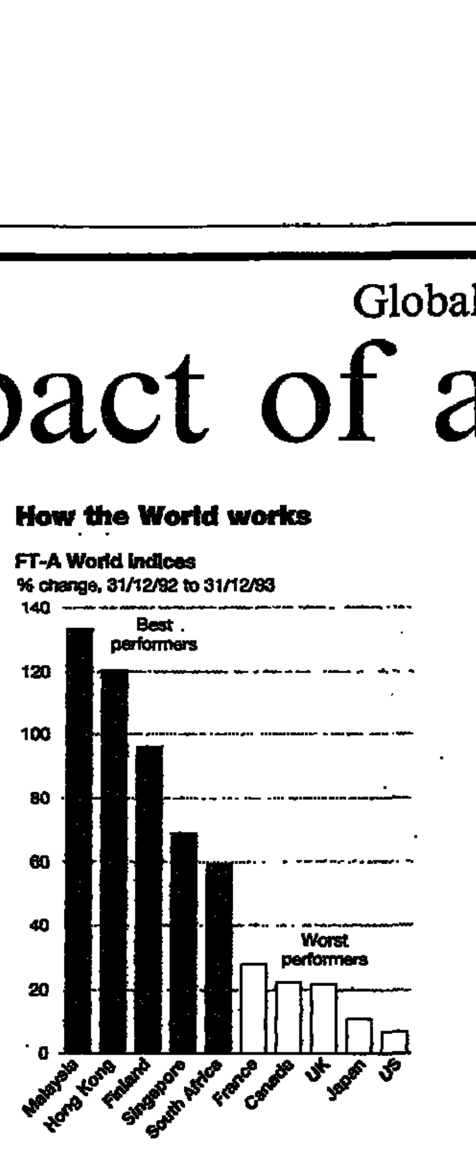
The successful car companies of the future will be assemblers, not manufacturers, says the Coopers study. Fewer than 10 of the present 25 main engine manufacturers will survive. With a complete new car costing nearly $1.5bn to develop, the study says, collaboration and further outsourcing is inevitable. New union agreements in Germany, for example, will allow Mercedes-Benz, BMW and Volkswagen to do much more outsourcing, following a path already trodden by the US (and bringing Europe more into line with the pattern always operated in Japan). "Only final assembly will remain a core manufacturer skill for product variety and quality reasons."

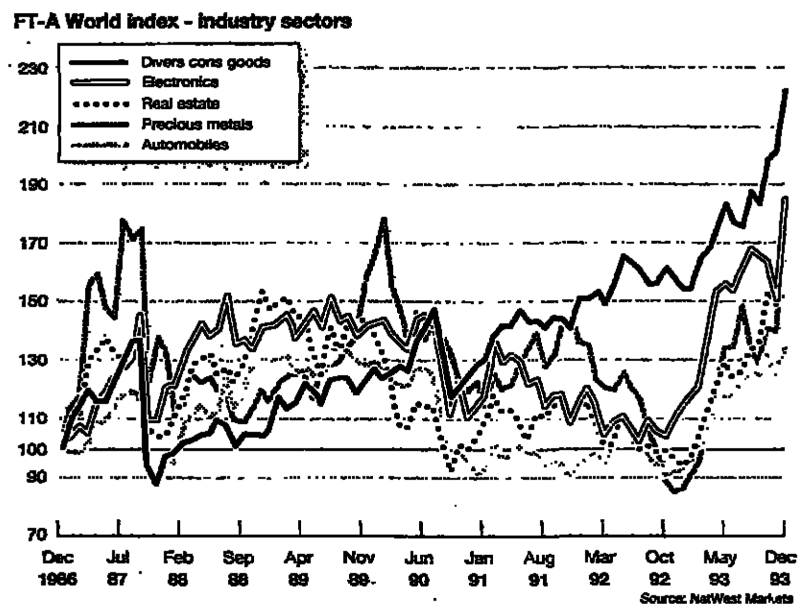
What's the investment implication? Well, the study concludes that the most profitable firms in the industry in the year 2000 will be second-tier component suppliers, design houses and de-integrated car manufacturers. First-tier suppliers and integrated car manufacturers will underperform.

Perhaps. But the example of the high-quality bicycle industry, which has never been vertically integrated, offers an alternative vision of the future. Its key players are not the assemblers, or the second-tier suppliers, but the big manufacturers of components, whose brand image and global reach outstrips the assemblers.

Analogously, the personal computer business is becoming one in which two first-tier suppliers, Intel and Microsoft, have the global status and the profits, leaving the assemblers and the second-tier suppliers slim pickings. Perhaps the first component manufacturer to follow Intel's lead by advertising "GKN inside" or "Nippondenso under the bonnet" will be the car industry play of the 21st century.

How the World works





Source: NatWest Markets

■ World's best

Whatever the future may hold, 1993 was certainly kind to the car companies, in stock market terms at least. As the chart shows, car stocks were one of the top four best-performing global sectors in the FT-Actuaries World Index last year, and they have now regained all the ground lost to the recession. The chart shows last year's top four sectors in a longer-term perspective. (The sparkling performance of the Diversified Consumer Goods and Services sector probably owes as much to the presence of two of Hong Kong's biggest companies, Jardine Matheson and Hutchison Whampoa, as to any more humdrum cyclical factors.)

Only three FT-AWI sectors lost value last year: beverage and tobacco manufacturers fell 3.8 per cent, under the influence of the Great Brands Panic. Health and personal care dropped 2.1 per cent as the US, Germany and – last week – Italy put the squeeze on drugs prices. Textiles and clothing also fell, by 0.9 per cent. In global terms, the long-debated switch out of defensive stocks into cyclicals has already begun.

■ Ruritania

When the European Monetary Institute holds its first meeting on Tuesday, it will be easy to make Ruritanian jokes about an institution that has no offices and no obvious role. Easy, but wrong. The EMI illustrates the trend towards putting monetary policy in the hands of technocrats, even if as an institution it has little direct influence.

In the long run, the deflationary bias inherent in such an approach will provoke political tensions, perhaps fatal ones. Until then however, the trend will place powerful downward pressure on prices.

If 19th century Russia's governing principle was autocracy tempered by assassination, the political economy of late 20th century western Europe will be deflation tempered by popular revolt. The trick will be to estimate where, and how forcefully, the people's voice will make itself heard.

■ Debt not equity

The craze for emerging markets is usually described in terms of portfolio investment in equities, as in the left-hand chart. But this is a small proportion of the huge flow of funds to the rapidly growing economies of south-east Asia. The World Bank estimates that $60bn (£40bn) flowed into the region's developing countries last year, of which only $4bn was portfolio equity investments. The great bulk was made up of $27bn of long-term debt and $25bn of foreign direct investments. These figures were exactly double the level of 1990.

■ Option to default

Old-school investors will be dismayed by one aspect of the rapid proliferation of option theory at US business schools. The traditional bond versus equity debate – from the point of view of the issuer – has been transformed by the notion that a company issuing long-term debt is, in effect, acquiring an option as to whether to repay the principal, since bankruptcy is always available as an alternative.

If the purchasers of the debt implicitly under-price this option, issuing bonds is inherently more attractive than issuing equity, a perception that might explain the steady drift upwards in the indebtedness of US corporations in the 1980s.

In the 1990s, issuers started to price the "option" more realistically, and gearing fell. Now, balance sheets have been restored by the equity issues of recent years; and the implicit option price has been falling for many borrowers as spreads for junk bonds have narrowed. The balance of advantage may be shifting back.

A contribution to this debate comes in a recent paper from Moody's, the rating agency, assessing how US credit quality has changed over the past 70 years. It can be summed up in one word: worse. In the most difficult year of the 1960s, for example, Moody's had to downgrade only 2.9 per cent of issues. In the 1970s, a much more disturbed decade, the worst year saw 5.1 per cent downgraded, but many years saw 2 per cent or less.

In every year since 1982, however, downgradings have run at more than 5½ per cent of issues outstanding, and in some years the figure has been much higher. In 1986, for example, nearly one in 10 issues was downgraded; and though the figure has fallen since 1990, it was still 5.7 per cent in 1993, otherwise a great year for corporate America.

Will the reversion to 1960s levels of interest rates also see a return to that decade's relative rating stability? Or has there been a permanent shift in issuers' attitude towards their debt obligations, as the option theory implies?

It's hard to tell. One aspect of the Moody's study is entirely unambiguous, however. An upward revision of a rating is equally likely to be followed by a downgrade or a further upgrade – there is no "upward momentum." But, alas, "downward momentum" does exist. Once an issue has been downgraded, it is statistically more likely to go further down than up. In credit quality as in life: once things start to go wrong they usually get worse.

Total return in local currency to 25/11/93

	% change over period US	Japan	Germany	France	Italy	UK
Cash						
Week	0.06	0.05	0.12	0.13	0.16	0.09
Month	0.29	0.19	0.53	0.57	0.73	0.48
Year	3.88	3.47	7.44	9.56	12.88	6.69
Bonds 3-5 year						
Week	0.08	-0.04	0.09	-0.04	0.08	-0.31
Month	0.14	0.44	0.94	1.39	2.69	0.36
Year	8.60	11.33	12.63	17.57	27.99	13.03
Bonds 7-10 year						
Week	-0.12	0.15	-0.16	-0.39	-0.18	-0.84
Month	-0.34	0.96	1.45	2.19	4.10	1.49
Year	12.09	15.30	16.29	23.08	40.09	20.46
Equities						
Week	-0.2	1.4	-1.0	-0.6	-2.7	-1.1
Month	0.4	3.2	4.8	4.7	4.6	5.1
Year	10.1	14.7	44.9	31.2	41.9	25.9

Best performing stocks from FT-A World Indices in local currency to 25/11/93

	Close	% change Week	Month	Year
United Plantations	11.5 M$	64.3	152.2	199.5
Shangri-La Hotel	7.2 S$	33.3	46.3	51.9
Tudor (Spain)	1195.0 P	27.4	48.6	160.3
Amdahl (USA)	7.00 U$	27.3	27.3	-1.8
Ederan Otomobile	19.9 M$	25.2	22.8	126.7
Adia (Br)	237.0 SF	24.7	61.6	55.9
Radiotechnique	439.0 FF	24.7	26.7	98.6
Faber	4.38 M$	24.4	41.3	373.5
Tasek Cement	7.80 M$	21.9	31.1	77.3
Highveld Steel	20.0 R	21.2	45.5	142.2

Source: Cash & Bonds - Lehman Brothers. Equities - © NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

Economic Notebook / **Peter Norman**

How to monitor economies

It has taken longer than the Uruguay Round of multilateral trade negotiations, but early next month, policy makers around the globe should be receiving a new rule book telling governments how to monitor their economies.

After more than seven years work, the 1993 revision to the system of national accounts (SNA) is about to thud on to the desks of government statisticians. This internationally agreed method of tracking economic growth covered 800 pages of typescript in draft form and will spawn a plethora of national handbooks instructing officials how to apply the new rules.

The revised SNA will mark a breakthrough of sorts. It is a further step towards a truly global economy. But many economists and statisticians are also certain to argue that an opportunity has been missed.

Although many hundreds of recommendations have gone into the new system, it is still a reworking of a framework first developed in the US, UK and Canada in the 1940s, when manufacturing industry was dominant, and the countries concerned were primarily interested in managing their economies to win, and later recover from, the second world war.

The accompanying panel gives a simplified picture of what the SNA tries to achieve. Its aim is to record the nature of stocks and flows that are part of the economic system, applying the same concepts, definitions and classifications to all accounts and sub accounts. It is rooted in the market system, where goods and services are produced and traded for a price.

The framework is designed to group transactions and transactors in an accounting system that is meaningful for economic analysis, forecasting and policy. It sets out to answer the question: "Who does what, by what means, for what purpose, with whom, in exchange for what, with what changes in stocks?"

That sounds simple. But, as Mr Joseph Duncan, the chief economist of Dun & Bradstreet and one of America's leading statisticians, has observed: "The elaboration of the system quickly generates considerable detail."

The "who" alone covers non-financial companies, financial groups, government institutions, households, which in turn consist either of individuals or groups, and non-profit institutions. The foregoing question also encompasses measures of production, income, saving and investment and wealth. The SNA framework includes domestic and foreign activities, financial and non-financial transactions, and gives current and real, inflation-adjusted measures.

Inevitably, trying to fit something as diverse as a national economy into an accounting framework has created peculiarities. Research and development is nothing if not an investment in the future. In the SNA, however, it counts as consumption. The system is especially bad at recording and evaluating investment in human capital such as education.

The latest revision, which is the first since 1968, sets out to give more attention to services, and especially financial services, in national economies. One of the more noticeable changes will be the gradual disappearance of gross national product from national accounts to be replaced by gross national income. But there has been no significant change in the boundaries of production.

The new SNA will do nothing to assuage feminist economists who have strongly criticised the system, and therefore governments, for largely ignoring the role of women in societies. It does not take account of housework or their unpaid contributions to family businesses and farms, which play a vitally important part in production in developing countries.

Environmentalists have long complained that the SNA does not properly reflect quality of life issues such as the costs of pollution. Indeed, pollution, which is destructive, appears in national accounts as a component of economic growth when attempts are made to clear it up.

However, because the system covers activities of market significance in a nation's affairs, it does take indirect account of the proceeds of crime.

Nonetheless, 1993 SNA revision has a distinguished pedigree. It was worked out by officials from the United Nations, the International Monetary Fund, the World Bank, the Organisation for Economic Co-operation and Development and Eurostat, the statistical office of the European Union.

User groups were consulted. A conscious effort was made to involve developing countries in the work. The Soviet Union and its allies took a surprisingly strong interest in the discussions in the late 1980s. Since communism's collapse, the former centrally planned economies have enthusiastically embraced the national accounts system as part of their adoption of market economies.

The new system has been harmonised with IMF balance of payments data. It takes proper account of value added tax, which had still to be applied in Europe when the SNA was last revised in 1968. As the new millennium draws near and governments gradually implement the recommendations, economic information will become much more comparable internationally. In theory, this should facilitate co-operation on economic policies in an increasingly interdependent world.

However, it is a moot point whether the framework can fairly reflect the complexity of a world in which some nations are experiencing revolutionary changes in social conditions, family structures and the world of work through the application of new technologies to industrial and commercial businesses, while others are struggling to develop beyond subsistence farming.

To be fair, the authors of the SNA have recognised its limitations and made provision for nations to overcome some of its inflexibility by setting up "satellite" accounts. These will enable countries to track developments in health, education, research and development and the environment in a more logical way without overburdening or disrupting the main framework.

Indeed, for many national accounts' statisticians, the further development of satellite accounts is a way of developing new techniques that could lead to innovations for the system as a whole. But for that, national statistical offices will need greater financial support from governments than has been the case over the past two decades.

How SNA tracks national output and wealth

Type of account	Main items reported
Opening balance sheet	National wealth in terms of assets, liabilities and net worth,
Production	GDP, value added. Industrial, sector accounts show outputs and inputs etc.
Income and its use	National disposable income, consumption, saving: includes types of income and their redistribution
Capital	Capital formation, includes changes in net worth due to saving and net capital transfers
Financial	Acquisition of financial assets, liabilities, net lending and borrowing
Revaluation	Changes in net worth due to changed prices of assets, liabilities
Other changes in assets	Covers items such as new discoveries of natural resources, catastrophic losses, uncompensated seizures.
Closing balance sheet	National wealth, net worth, reflecting above items

EMERGING MARKETS: This Week

The Emerging Investor / **Anthony Robinson**

Will the boom continue in central Europe?

Central Europe's fledgling stock markets astonished all but a tiny handful of canny professionals last year as word of large paper profits attracted local and foreign money into Warsaw's tiny stock exchange.

Warsaw's boom was followed by similar forays into Prague and Budapest as the price earnings ratios of Polish shares rose to western levels and investors piled into Hungarian and Czech shares hoping for a similar ride.

Few expect Warsaw, with its puny 22 stocks, to repeat last year's average 700 per cent capital gain. But last year's easy profits have already attracted the attention of traditional left-wing thinkers among the re-vamped former communists who dominate the left of centre coalition government formed after general elections in September.

In parliament last week Mr Leszek Miller, the labour minister, who faces strong demands from his party's trade union backers for higher pensions and social spending, called for a capital gains tax and Mr Marek Borowski, the finance minister, said his ministry was exploring the practicalities of a small transaction tax on share dealings on the Warsaw bourse.

However, Mr Borowski quickly added that the government as a whole was convinced that public finances had more to gain from continued growth of the stock market than from new taxes.

Pointing to the 3,000bn zlotys raised for the state treasury from the recent privatisation of Bank Slaski he sought to educate the government's own political supporters by warning that taxes which depressed share prices would lead to a fall in the expected revenue from privatisation.

Many foreign investors, who moved in when they noticed the market take off in the first half of 1993, have in any case already taken their profits. Big players in emerging markets, like Salomon Brothers, expect a substantial market correction to reduce share prices which no longer bear much relation to the future earnings capacity of the enterprises concerned.

A correction will be painful for thousands of latecomers to the Warsaw bourse but is unlikely to be either very deep or prolonged. The Polish economy expects another year of 4 to 5 per cent growth in 1994.

The new government has indicated it will maintain the tight fiscal and monetary stance dictated by the IMF, and hopes are rising for an agreement on Poland's $13bn (£8.7bn) commercial bank debt. The latter would improve Poland's access to future bank borrowing and raise its overall investment profile.

On the privatisation front some 20 to 30 "National Investment Funds" are being created to manage more than 360 state companies to be privatised in the first round of mass privatisation. They will be run by foreign and Polish-based investment managers.

Ten best performing stocks

Stock	Country	Friday close	Week on week change $	Week on week change %
Sadia Concordia	Brazil	0.0089	0.0022	33.3
Doktas	Turkey	1.72	0.35	26.1
Otosan	Turkey	9.22	1.85	25.0
Ionian bank	Greece	27.34	5.29	24.0
Koc Holding	Turkey	2.86	0.55	23.9
Usiminas (pfd)	Brazil	0.0009	0.0002	23.7
Guney Biracilik	Turkey	1.61	0.31	23.4
Copene (pfd)	Brazil	0.35	0.06	23.0
National Bank of Greece	Greece	52.00	9.50	22.3
Walsin Likwa Wire & Cables	Taiwan	1.43	0.26	21.9

Source: Baring Securities

Throughout the region, 1994 should be the year when privatisation really takes off. The Czech Republic has emerged as the clear leader in mass privatisation through its voucher privatisation scheme with shares in more than 1,300 companies distributed between 8m voucher holders.

Most deposited their vouchers with a dozen investment funds to manage. This has left the funds free to become the main buyers and sellers of shares, on and off the stock exchange, building up controlling stakes in chosen companies as they do so. A second round of privatisation, involving more than 600 companies, has started.

Czech fund managers are already seeking qualified managers for their new assets, in one emblematic case recruiting a former vice chairman of Chrysler to restore the fortunes of Tatra, the Czech heavy truck maker.

This year, given the high cost and difficulty of obtaining finance from the banking system, many companies in central Europe will be tempted to take advantage of booming stock markets to seek a stock market quotation and make public share offers to raise cheap equity capital. At this point the stock markets will cease to be the glorified casinos they have been up to now and start to perform their basic economic function – providing a channel for capital from investors to enterprises. In many cases initial public offerings from newly privatised companies are expected to provide a relatively cheap entry for investors.

On the Prague stock exchange, officially opened last April, trading only really began in June after shares from the first wave of voucher privatisation were finally transferred to their new owners. By December 16, the last session of 1993, securities worth more than Kcs9bn ($310m) had been traded.

Trading at the twice weekly sessions is heavily concentrated on a small number of popular stocks. The rival over-the-counter RM-System, established shortly after the stock exchange, offers periodic share auctions through its computerised system, but both systems as well as market operators have faced teething problems. Only a handful of companies are fully listed and analysts say investor protection is weak and information inadequate. Some shares are already considered overpriced, though most analysts remain bullish about prospects for 1994.

Budapest's stock exchange is also on an upward trend with the BSE index hitting record highs. Brokers are banking on the influx of foreign money continuing. So although the BSE index is 50 per cent above year ago levels it may have some way to go. At 1230, the index is barely above the peak of March 1991, a substantial fall in dollar and real terms. Prospects for earnings growth in the medium-term, however, are good and the climate for new issues is promising too. The privatisation authorities appear ready to price offerings competitively. The performance of Pick, the salami producer, has provided an alluring precedent for investors. Its shares have more than tripled in price, from Ft1,200 at flotation in late 1991, to Ft4,200 now.

Many analysts, however, remain sceptical that 1994 will be a boom year for the Budapest stock market. Overshooting budget and current account deficits have pushed up interest rates and are likely to draw investors back to the government paper market, which in any case dominates turnover.

Even after a fivefold increase in total post-tax earnings for listed companies as a whole the average p/e ratio, based on estimated 1993 post-tax earnings and year-end total capitalisation of Ft82.4bn ($820m), of the 28 firms on the exchange stands at 20.8.

Liquid shares suitable for institutional investors are particularly expensive. Fotex, the retailer, is on 22 times 1993 earnings. The figure is better – 12.6 – if the 10 lossmaking firms are excluded. But the market is still not cheap.

Higher share prices are also attracting a rash of initial public offerings. The end of last year saw a batch of four small new issues. Credit Suisse First Boston, the most active international investment bank in Budapest, once focused on corporate bond and commercial paper markets but is now turning its attention for the first time to IPOs.

Additional reporting by Patrick Blum in Vienna, Christopher Bobinski in Warsaw and Nicholas Denton in Budapest.

News round-up

■ Hong Kong

China will this week announce another group of Chinese incorporated companies to be listed in Hong Kong. Charles Lee, chairman of the Hong Kong stock exchange said they would be medium to small sized firms involved in the infrastructure, transportation and telecommunications businesses.

Lee added that it was possible that one or two of the companies in the group would seek listings in Europe and in the US as well.

■ Poland

The Polish government is considering introducing some form of taxation on capital gains. However, Mr Marek Borowski, the finance minister said that the tax should be small so that it did not discourage investors or hamper the growth of the stock market, which has been a source of income.

● Poland has stepped up its efforts to lure more state firms into its landmark Mass Privatisation Programme before closing the list of participants at the end of this month. Mr Wieslaw Kaczmarek, the privatisation minister, met managers and union leaders from 56 state companies in an effort to persuade them to join 367 firms already enlisted for the programme.

■ Zimbabwe

Zimbabwe's central bank is to issue details soon about the new rules on increased foreign shareholding in local firms. The central bank has already said that foreign investors would be allowed to buy up to 35 per cent of shares offered by local companies, with each individual investor limited to 10 per cent of equity offered.

■ Israel

The chairman of the Tel Aviv stock exchange is cautious about the outlook for 1994. Mr Haim Stoessel said that future developments depended increasingly on a mixture of political and economic factors that were not easily forecast.

Stoessel added that 186 new companies offering their shares in 1993 and the number of shares traded reached 1,140 from 777 at the end of 1992.

● Further coverage of emerging markets appears on the daily World Stock Markets page.

CURRENCY MARKETS — Gillian Tett

Sterling and dollar strength to be tested

Activity on the money markets looks set to be fragmented this week, with attention focused fairly equally around the dollar, yen and D-Mark.

With the fifth round of US-Japan trade framework talks due to begin in Tokyo this week, a key question will be the sensitive relationship between the dollar and yen.

Last year the US government tried to talk down the dollar's rate against the yen to put pressure on Japan in trade negotiations. But a carefully timed interjection by Mr Lloyd Bentsen, US treasury secretary, last week criticised the yen's recent slide. But though the US government now fears that a weak yen could harm US interests if it deepens the Japanese recession, Mr Bentsen's intervention is likely to be only partly successful.

After weakening at the beginning of last week, the yen later rose on the back of worse-than-expected US unemployment data. But most dealers expect it to fall further this week, possibly touching the Y115 level.

On the dollar side, the publication of a spate of US economic data this week, will intensify the debate about the pace of the US economic recovery. Although most dealers expect the dollar's recent bull run to be tempered, market sentiment remains mixed about the pace of the US recovery. Consequently the dollar seems set to remain within a small – albeit volatile – band.

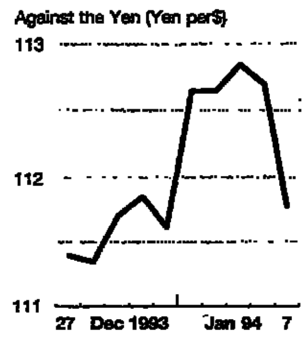
● The D-Mark will also be closely monitored this week after the Bundesbank attempted to dampen market speculation last Thursday that a rate cut will occur later this month. Although the D-Mark slightly strengthened after this, many dealers remain convinced that the ailing state of the German economy will force a cut soon.

In the UK the publication of labour market data on Wednesday, and producer prices and industrial production data on Thursday, will fuel speculation about sterling's ability to break through the DM2.60 barrier. Last week the pound touched a six-month high, amid growing optimism about economic recovery.

Meanwhile the mounting concern about the weak Spanish economy seems set to depress the peseta even further, while the Italian lira's recent rise is likely to be halted, with more twists in the Italian corruption scandal expected.

Dollar

Against the Yen (Yen per$)



Source: FT Graphite

Baring securities emerging markets indices

Index	7/1/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (239)	170.97	2.56	1.52	19.74	13.05	2.56	1.52
Latin America							
Argentina (19)	115.42	0.04	0.03	14.40	14.26	0.04	0.03
Brazil (18)	152.51	12.86	9.21	12.13	8.64	12.86	9.21
Chile (12)	159.86	12.32	8.35	32.77	25.78	12.32	8.35
Mexico (22)	166.38	5.11	3.17	18.35	12.40	5.11	3.17
Latin America (71)	156.06	6.82	4.57	18.23	13.23	6.82	4.57
Europe							
Greece (14)	95.71	12.62	15.18	11.77	14.03	12.62	15.18
Portugal (13)	114.18	2.05	1.83	1.22	1.08	2.05	1.83
Turkey (22)	179.21	17.50	10.82	42.87	31.44	17.50	10.82
Europe (49)	121.67	9.44	8.41	14.25	13.27	9.44	8.41
Asia							
Indonesia (17)	178.48	7.44	4.35	24.08	15.60	7.44	4.35
Korea (23)	111.16	1.46	1.33	11.07	11.06	1.46	1.33
Malaysia (21)	236.45	-16.60	-6.56	13.20	5.91	-16.60	-6.56
Philippines (9)	311.99	-10.49	-3.25	60.44	24.03	-10.49	-3.25
Thailand (20)	248.58	-14.97	-5.68	9.79	4.10	-14.97	-5.68
Taiwan (29)	157.91	4.20	2.73	50.60	47.16	4.20	2.73
Asia (119)	213.63	-7.79	-3.52	23.94	12.62	-7.79	-3.52

All indices in $ terms. January 7th 1992=100. Source: Barings Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, January 7, 1994 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2721.88	1826.02	1063.53	1632.96
Albania	(Lek)	163.1650	109.463	63.1867	97.909
Algeria	(Dinar)	35.7710	23.9983	13.8484	21.4621
Andorra	(Fr Fr)	8.7910	5.898	3.4028	5.2744
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	12.4614	8.3605	4.8238	7.4756
Germany	(D-Mark)	2.5834	1.7332	1	1.55
Ghana	(Cedi)	1186.80	796.243	459.395	712.088
Gibraltar	(Gib £)	1.00	0.6709	0.387	0.5999
Greece	(Drachma)	371.433	249.2	143.777	222.855
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	44.9532	30.1539	17.4007	26.9713
Panama	(Balboa)	1.4905	1	0.5769	0.8942
Papua New Guinea	(Kina)	1.5187	1.0175	0.587	0.91
Paraguay	(Guarani)	2687.33	1799.55	1032.49	1600.37
Peru	(New Sol)	3.2483	2.18	1.2577	1.9495
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

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WORLD BOND MARKETS: This Week

NEW YORK — Martin Dickson

The US bond market, buoyed on Friday by helpful employment figures for December, will be looking for good inflation statistics this week to bolster its positive new tone.

The market rallied strongly on Friday on the release of figures that showed payrolls rising by 183,000 in December. This was well short of the figures that Wall Street had been expecting.

The statistics suggested that the US economy grew at a moderate pace in the month, ameliorating fears that November's fast growth would be sustained, in turn leading to a higher rate of inflation and early action by the Federal Reserve to raise interest rates.

The 30-year-issue ended the week with a yield of 6.22 per cent – the lowest it has been since December 23, and down from 6.41 on Monday, which marked a 4½-month high.

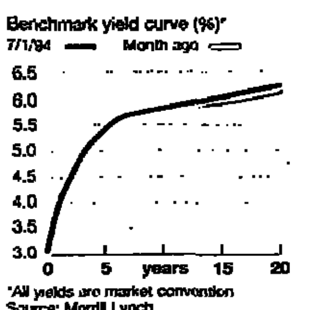
Analysts expect this positive backdrop to be reinforced by very small increases in the inflation indices for December.

The producer price index, which is due on Wednesday, is expected to show no rise in the price of finished goods.

The consumer index, which is due on Thursday, is forecast to show a 0.2 per cent increase, or 0.3 per cent in the core index, which ignores volatile food and energy prices.

US

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

LONDON — Philip Coggan

Investors appeared to be taking a breather last week, when trading was thin and prices drifted lower. But they should have some more substantial domestic economic figures to chew on over the next fortnight. Earnings and unemployment figures are due this week and December retail sales and inflation figures are due on January 19.

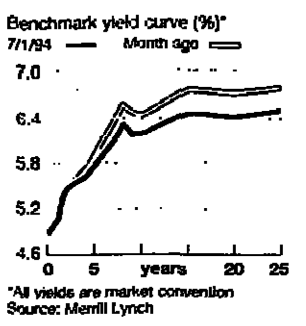
Traders will be watching for signs of inflationary pressures that might prevent the government from cutting base rates. "Earnings growth has fallen to 3 per cent and it is vital to the bull case for gilts that the rate of growth does not pick up," says Mr Simon Briscoe, UK economist at Warburg Securities.

Long gilts fell about 1¼ points between Tuesday and Thursday last week. The higher-than-expected growth in the M0 narrow money supply measure was not encouraging. The M0 rise, and an 8.6 per cent annual increase in notes in circulation for the week to January 5, indicated buoyant spending over the Christmas/new year period.

However, overseas factors were the main influence for much of the week. The Bundesbank left rates unchanged on Thursday, and in the early part of the week investors were fearful that the Fed might tighten US rates. But Friday's weaker-than-expected US employment numbers helped gilts to rally along with US Treasuries.

UK

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

FRANKFURT — Conner Middelmann

German government bonds have had a bumpy ride, rallying sharply over the Christmas period, selling off last Tuesday and recouping some of those losses towards the end of the week.

The Bundesbank's decision to leave interest rates unchanged at last Thursday's council meeting, and statements from Mr Hans Tietmeyer, its president, that rates would be kept on hold for the time being, gave some support to the long end of the yield curve as well as the D-Mark.

Bunds were further underpinned by the strength of the US Treasuries market following the release of slightly weaker-than-expected US jobless numbers on Friday.

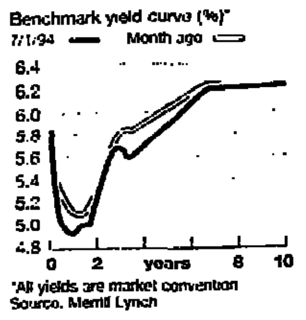
In the absence of market-moving data, German bonds this week are expected to trade within a narrow range, with the March bund future seen fluctuating roughly between levels of 100.90 and 101.30.

Meanwhile, Bundesbank watchers are eagerly awaiting the release of January inflation data and M3 money supply numbers, which are expected next week, for further clues to the pace of monetary easing.

Until then, fixed-rate securities repurchase agreements at 6 per cent for the next two weeks will keep rate-cut speculation to a bare minimum.

Germany

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

TOKYO — Emiko Terazono

Pessimism over economic recovery is expected to deepen as the bond market concentrates on the negotiations for political reform.

That debate could further delay the economic support package. If the political reform bill fails to pass the upper house by Sunday – 60 days after the bill's passage in the lower house – the lower chamber obtains the right to form a joint committee with the upper house to enact amended versions.

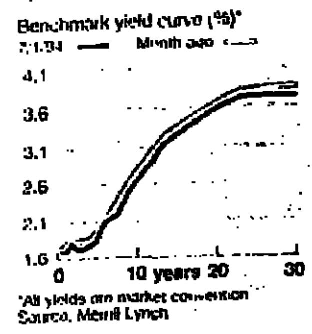
Expectation of a delay in the economic package is deepening the gloom, pushing the yield on the No 157 10-year benchmark lower. Some traders expect the yield, which closed below the 3 per cent mark last Friday for the first time in six years, to test the historical low of 2.55 per cent.

Last week's recovery of the Tokyo stock market gives little incentive to place new funds into the bond market. Speculation of lower interest rates and an imminent cut in the official discount rate cut have been supported by weak share prices, but further buying of export-oriented shares due to the weaker yen could undermine such hopes.

Short-term interest rates may rise slightly this week, the final week for the December reserve maintenance period. Banks are expected to dip into the money markets to raise funds for their accounts at the Bank of Japan.

Japan

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

Capital & Credit / Conner Middelmann

Ireland remains an attractive option

While most European bond markets wallowed in the doldrums, Irish gilts powered ahead last week, fuelled by bullish domestic fundamentals and a cut in interest rates.

Although the market has enjoyed a sizeable rally in recent months, many feel it has further to go. "Ireland is one of the most attractive stories around," says Mr Gordon Johns, managing director of Kemper Investment Management, the London-based fixed-income subsidiary of the large US fund.

According to Kemper's calculations, Irish gilts last year posted the strongest performance of the 21 bond markets it monitors, yielding a 30.2 per cent total return in local currency terms. While such stellar returns are less likely this year, "on fundamental economic grounds, the Irish market is still very attractive", says Mr Johns.

The Irish Treasury last week surprised the markets with lower-than-expected 1993 budget deficit numbers, announcing that the Exchequer Borrowing Requirement for last year was I£690m, or 2.5 per cent of gross national product, well below the target of I£766m, or 2.8 per cent of GNP.

"The underlying state of public finances was much better than expected, and Ireland and Luxembourg were the only two countries to meet the Maastricht criterion on budget deficits last year," notes Mr Han de Jong, chief economist at Goodbody Stockbrokers in Dublin. The government's funding position at the end of 1993 was "extremely favourable, leaving it in a very healthy position going into 1994", he adds.

Funding is set to decline this year, with gross issuance seen down sharply from last year's I£3.5bn. Mr Oliver Mangan, senior economist at Davy Stockbrokers in Dublin, estimates gross issuance of about I£1.9bn this year.

While last year's issuance was concentrated mainly in the 5-10 year maturities, some borrowing is likely to shift to longer maturities next year. "1994 is likely to see the creation of a new long-dated stock, possibly a 25- or 30-year issue," says Mr Mangan.

Meanwhile, the Irish pound has been going from strength to strength, becoming the firmest currency in the European Monetary System's exchange-rate grid and trading above its former 2.25 per cent ERM ceiling against the D-Mark. It traded at around DM2.48 late on Friday, well above the DM2.4660 upper limit accorded to it under the former narrow-band ERM.

The currency's strength, and last week's decline in money markets rates following a Christmas squeeze, enabled the central bank to cut its short-term facility and overnight deposit rates by 25 basis points on Friday, to 6.75 per cent and 3.50 per cent respectively. The move followed last week's rate cuts in Austria, Denmark, Belgium and the Netherlands, though it surprised many observers who had not expected the Irish Central Bank to cut rates before the Bundesbank's next monetary easing.

The Irish pound is likely to remain underpinned by the country's solid economic performance. After growing by some 2 per cent in 1993, Ireland's GNP is set to rise by about 3.5 per cent in 1994, lifted by a recovery in domestic demand, the acceleration of UK growth and the consolidation of the US recovery, Mr Mangan predicts. By the end of the year, he expects the pound to be higher against sterling at £0.97 and a good deal stronger against the D-Mark, at around DM2.57.

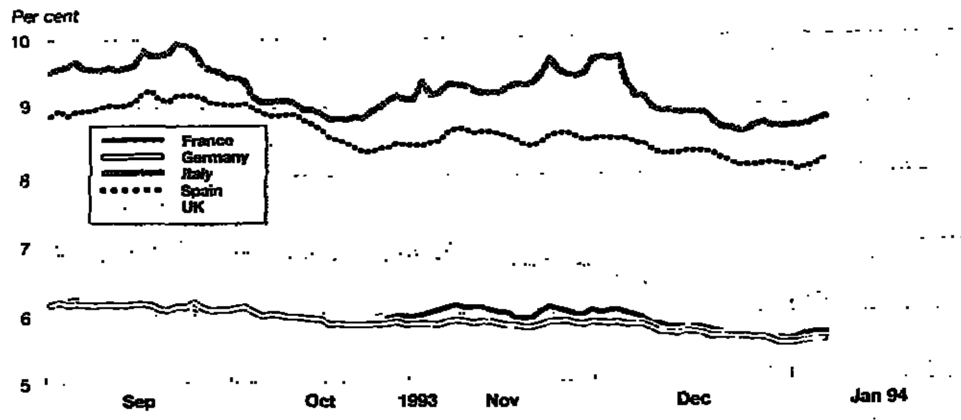
Inflation is expected to remain under control. Following last January's 10 per cent devaluation of the pound, many forecast a headline inflation rate around 3 per cent. Instead, it fell to an annual average of about 1.6 per cent.

In spite of prospects for continued economic recovery next year, inflation pressures are expected to remain capped by low oil prices, subdued UK inflation, the strength of the Irish pound, moderate pay increases amid near-17 per cent unemployment and few, if any, indirect tax increases in the January budget. Most analysts are looking for an average headline rate of 2.5 per cent to 3 per cent in 1994.

The Irish 10-year yield spread over German bunds narrowed sharply in 1993 after hitting a high of some 300 basis points last January. On Friday, it stood at some 68 basis points, at the low end of its recent 70-90 basis point range. However, although yields are expected to continue falling, many analysts do not expect that gap to get much tighter.

If anything, it could widen back to the top of that range in the second half of the year, when UK yields are expected to rise in response to a deterioration in the UK inflation profile. The favourable inflation gap over Germany is likely to be eroded in the course of this year as inflation declines in Germany and rises in Ireland, causing the yield gap to widen. By the year-end, most analysts expect the Irish 10-year yield to be between 5.75-6 per cent, trading at some 80 basis points over bunds.

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.75	7.00[1]	8.00	5.50[2]
Overnight	2.94	2.31	6.06	6.50	8.75	5.38
Three month	3.07	2.12	5.71	6.06	8.12	5.31
One year	3.55	1.75	5.09	5.43	7.76	5.12
Five year	5.05	2.08	5.02	5.04	8.42	5.73
Ten year	5.69	2.94	5.68	5.67	8.80	6.18

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est vol.	Open int.
Mar	114-18	116-03	+1-18	116-07	114-00	377,740	303,850
Jun	113-10	115-00	+1-17	115-03	112-30	1,234	14,611
Sep	112-08	114-01	+1-17	114-03	112-03	63	19,595

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)						
Treas 8½pc 1994	100⅛xd	–	2,100	Fe3 Au3	28.6	4871
14½pc 1994‡‡	101⅛	–.2	550	Mr1 Se1	26.7	1307
Exch 13½pc 1994	102⅜xd	–.2	1,100	Ap27 Oc27	20.9	1287
Treas. 10pc Ln 1994‡‡	102xd	–.2	1,900	Ja9 De9	2.11	1284
Exch 12½pc 1994	104⅛	–.2	1,240	Fe22 Au22	16.7	1263
Treas 9pc 1994‡‡	103¼	–.2	1,900	My17 Nv17	11.10	1345
12pc 1995	107⅛xd	–.2	2,350	Ja25 Jy25	18.6	1294
Exch 3pc Gas 90-95	98	–	214	My1 Nv1	27.9	1271
10¼pc 1995	107⅛xd	–.2	2,500	Ja21 Jy21	14.6	1254
Treas 12¾pc 1995‡‡	113⅛	–.3	840	My15 Nv15	11.10	1298
14pc 1996	116¾xd	–.4	770	Ja22 Jy22	15.6	1305
15¼pc 1996‡‡	121⅛	–.5	1,150	My3 Nv3	27.9	1309
Exch 13¼pc 1996‡‡	117⅛	–.4	800	My15 Nv15	11.10	1288
Conversion 10pc 1996	111⅛	–.4	3,409	My15 Nv15	11.10	1240
Treas 13¼pc 1997‡‡	121⅛xd	–.4	1,290	Ja22 Jy22	15.6	1302
Exch 10½pc 1997	113¼	–.4	3,700	Fe21 Au21	15.7	1253
Treas 8¾pc 1997‡‡	110⅛	–.3	5,550	Mr1 Se1	20.7	1341
Exch 15pc 1997	131⅛	–.4	830	Ap27 Oc27	20.9	1269
9¾pc 1998	114⅛xd	–.4	3,550	Ja19 Jy19	14.6	1273
Treas 7¼pc 1998‡‡	106⅛	–.3	6,250	Mr30 Se30	24.8	–
7¼pc 1998 B‡‡	105⅛	–.3	1,600	Mr30 Se30	–	–
Treas 6¾pc 1995-98‡‡	101⅛	–.2	1,200	My1 Nv1	27.9	1331
14pc '98-1	130⅛xd	–.4	970	My22 Nv22	18.10	1306
Five to Fifteen Years						
Treas 15½pc '98‡‡	139⅛	–.3	935	Mr30 Se30	24.8	1308
Exch 12pc 1998	125⅛xd	–.5	3,909	My20 Nv20	14.10	1250
Treas 9½pc 1999‡‡	115⅛xd	–.4	1,900	Ja15 Jy15	8.6	1347
Exch 12¼pc 1999	127⅛	–.5	3,050	Mr26 Se26	20.8	1284
Treas 10½pc 1999	120⅛	–.4	1,292	My19 Nv19	13.10	1288
Treas 6pc 1999 ‡‡	101⅛xd	–.3	3,900	Fe10 Au10	–	–
Conversion 10¼pc 1999	120⅞xd	–.4	1,798	My22 Nv22	18.10	1242
9pc 2000‡‡	115⅛	–.5	5,358	Mr3 Se3	28.7	1244
Treas 13pc 2000	135⅞xd	–.7	3,171	Ja14 Jy14	7.6	1299
10pc 2001	121⅛	–.6	4,406	Fe26 Au26	20.7	1280
7pc '01 ‡‡	105⅛	–.6	3,250	My6 Nv6	–	–
9¾pc 2002	122⅛	–.7	6,527	Fe27 Au27	21.7	1349
8pc 2003‡‡	112⅛xd	–.7	7,600	Ja10 De10	3.11	–

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
10pc 2003	126⅛	–.6	2,503	Mr8 Se8	2.8	1281
Treas 11½pc 2001-4	128⅛	–.6	1,820	Mr19 Se19	13.8	1290
Funding 3½pc '99-4	85⅝xd	–.5	543	Ja14 Jy14	7.6	1274
Conversion 9½pc 2004	124⅛	–.6	3,412	Ap25 Oc25	20.9	1246
Treas 6¾pc 2004	104⅛	–.5	3,250	My26 Nv26	–	–
6¾pc 2004 A (£50 Pd)	54⅛	–1.0	3,000	My26 Nv26	–	–
Conv 9½pc 2005	124⅛	–.5	4,842	Ap18 Oc18	13.9	1247
Treas 12½pc 2003-5	142⅛xd	–.7	2,200	My21 Nv21	15.10	1295
7¾pc 2006‡‡	111⅛	–.7	3,900	Mr8 Se8	2.8	–
8pc 2002-6‡‡	110⅞	–.7	2,000	Ap5 Oc5	1.9	1334
Treas 11¾pc 2003-7	135⅛xd	–.7	3,150	Ja22 Jy22	15.6	1293
Treas 8½pc 2007 ‡‡	118⅛xd	–.7	5,497	Ja16 Jy16	9.6	1339
13½pc '04-8	150⅛	–.8	1,250	Mr26 Se26	20.8	1301
Over Fifteen Years						
Treas 9pc 2008 ‡‡	123⅛	–.8	5,321	Ap13 Oc13	6.9	1343
8pc 2009	114¾	–.7	3,100	Mr25 Se25	19.8	1336
Conv 9pc Ln 2011 ‡‡	125⅛xd	–.9	4,273	Ja12 Jy12	7.6	1245
Treas 9pc 2012‡‡	126⅛xd	–.9	5,150	Fe6 Au6	30.6	1701
Treas 5½pc 2008-12‡‡	92⅛	–1.3	1,000	Mr10 Se10	4.8	1330
Treas 8pc 2013‡‡	118¼	–1.1	4,950	Mr27 Se27	23.8	–
7¾pc 2012-15‡‡	113⅛xd	–.8	800	Ja26 Jy26	21.6	1332
Treas 8¼pc 2017‡‡	126⅛	–1.3	6,950	Fe25 Au25	19.7	1982
Exch 12pc '13-'17	157⅛xd	–.9	1,000	Ja12 Oc12	5.11	1280
Undated						
Consols 4pc	58⅝xd	–1.9	359	Fe1 Au1	25.6	1239
War Loan 3½pc‡‡	53⅛xd	–1.7	1,909	Ja1 De1	25.10	1352
Conv 3½pc '61 Aft	70⅛	–1.1	119	Ap1 Oc1	25.8	1243
Treas 3pc '66 Aft	43⅞	–.6	56	Ap5 Oc5	1.9	1324
Consols 2½pc	37⅛xd	–2.4	275	5JaApJyOc	1.12	1238
Treas. 2½pc	36⅞	–1.3	475	Ap1 Oc1	25.8	1315

Notes		Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Index-Linked	(b)						
Treas. 2pc '94	(102.9)	136⅛	0.1	500	My16 Nv16	11.10	5070
2pc '96	(67.9)	202¾	–.3	1,300	Mr16 Se16	10.8	1313
4⅝pc '98‡‡	(135.6)	112⅝	–.6	800	Ap27 Oc27	20.9	–
2½pc '01	(78.3)	175⅛	–.6	1,500	Mr24 Se24	18.8	1316
2½pc '03	(78.8)	171⅞	–.8	1,050	My20 Nv20	14.10	1317
4⅜pc '04‡‡	(135.6)	117⅛	–1.0	850	Ap21 Oc21	14.9	–
2pc '06	(69.5)	182⅞xd	–.9	1,550	Ja19 Jy19	14.6	1314
2½pc '09	(78.8)	166¼	–1.0	1,550	My20 Nv20	14.10	1318
2½pc '11	(74.6)	173⅞	–1.0	1,800	Fe23 Au23	19.7	1319
2½pc '13	(89.2)	144⅛	–1.2	2,300	Fe16 Au16	12.7	1320
2½pc '16	(81.6)	155⅛xd	–1.3	2,400	Ja26 Jy26	21.6	1321
2½pc '20	(83.0)	150¼	–1.2	2,400	Ap16 Oc16	8.9	1322
2½pc '24‡‡	(97.7)	127⅛xd	–1.4	1,900	Ja17 Jy17	10.6	1323
4⅛pc '30‡‡	(135.1)	127xd	–1.3	1,300	Ja16 Jy22	15.6	–

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1993: 140.6 and for November 1993: 141.6.

Other Fixed Interest

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
African Dev 11¼ 2010	140⅛	1.4	50	Ja4 Jy4	1.12	–
Asian Dev 10¼pc 2009	132⅛	1.7	100	Mr24 Se24	28.3	–
B'ham 11½pc 2012	133	–	45	My15 Nv15	17.4	1837
Ireland Cap 8½pc '10	114½	1.6	303	Ap1 Oc1	–	1465
9pc Cap 1998	103	1.0	725	Ja30 Jy30	–	–
13pc '97-2	115½	1.1	315	Ap1 Oc1	28.8	1428
Hydro Quebec 15pc 2011	167⅛	1.4	40	My30 Nv30	27.10	–
Leeds 13½pc 2006	143½	–	40	Ap1 Oc1	12.3	3146
Liverpool 3½pc Irred	42¼	–	5	1JaApJuOc	1.8	3169
LCC 3pc '20 Aft	38½	–	26	1MrJeSeDe	1.8	–
Manchester 11½pc 2007	130¼	–	8	Ap25 Oc25	30.3	3275
Met. Wtr. 3pc 'B'	74¼	–	25	Mr1 Se1	1.8	3361
N'wide Anglia 3⅞pc 2021	144⅞	–	60	Ja30 Jy30	8.1	3485
4⅛pc IL 2024	136⅛	–	50	Fe23 Au23	20.7	–
Utd Mex States 16½pc 2008	153½	–	50	Mr1 Se1	27.8	–

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Sara Webb

A flying start in the Eurolira sector

Borrowers dashed with almost indecent haste to launch their new year Eurobond issues, tapping a wide variety of currencies and maturities in the first few days of 1994.

While several sectors of the international bond market saw substantial new supply, one of the most interesting was the Eurolira sector. This area offered borrowers attractive arbitrage opportunities, at a time when the regulations governing the market have been eased and when investor demand for high-yielding paper is expected to remain quite strong.

Last week saw a sudden rise in Eurolira issuance with seven new issues – from Eurofima, Kingdom of Sweden, Dresdner Finance, GECC, Crédit Local de France, Bayerische Hypobank, and Abbey National – raising a total of L1,750bn, or nearly 10 per cent of the total of L18,076bn raised in Eurolira issues in the whole of 1993.

It not unusual for issuers to kick off the new year with a burst of activity. But the start of 1994 saw a change in some of the regulations concerning the Eurolira sector.

Lead managers no longer need to obtain permission from the Bank of Italy for such issues. Instead, a Bank of Italy official said, they only have to notify the central bank of their intention to launch a Eurolira issue and can assume that the deal will automatically go ahead. Only in the case of borrowers with a low credit rating or no rating at all, or in cases where the issue has an unusual structure, does the central bank maintain its right to withhold permission.

From the borrowers' point of view, it is the favourable swap opportunities which have provided the main driving force, allowing issuers to obtain attractive sub-Libor funding.

Such opportunities come and go, and borrowers have to be quick to take advantage of them. For example, syndicate officials point out that for much of December, swap opportunities were unattractive, and so there was almost no issuance of Eurolira paper that month.

From the investors' point of view, 1993 was a very good year for both Italian government bonds and Eurolira bonds, and these markets are expected to continue to perform well in 1994.

Dealers cite several attractions of Eurolira paper. This sector of the international bond market is normally dominated by retail investors hunting for high coupons. Few other areas of the international bond market can provide such high coupons and such high overall yields.

Coupons on Eurolira paper were in double digits last summer, and while they have steadily come down since then – last week's issues offered coupons ranging between 7.375 per cent and 7.875 per cent – they are still substantially higher than the coupons and overall yields on offer with, say, D-Mark denominated paper.

Bond market specialists expect Italian government and Eurolira bonds to rally further in 1994 as inflation continues to decline and interest rates continue to fall.

While hopes are high of a cut in official interest rates in the near future, some analysts predict that the Bank of Italy may hold off cutting rates until the Bundesbank lowers the key German interest rates.

In the secondary market, Eurolira paper is quite expensive, with many issues trading at well over par, dealers said. Yet in spite of these factors, investors did not appear to be rushing to buy up all the new Eurolira issues. By Friday afternoon, some of the issues were only just trading at full fees, and dealers quoted prices for the Kingdom of Sweden and Crédit Local which were outside full fees.

The more generous in the market attributed this lack of investor interest to the holiday hangover, adding that it was proving difficult to track down investors as many are not expected to return to work full-time until today.

Others claimed that the Kingdom of Sweden deal had been priced too aggressively and that matters had not been helped by the generally heavy supply.

"The market has had enough, it is getting saturated," said one dealer.

Given the conditions, it remains to be seen whether the European Investment Bank goes ahead this week with the launch of its much-rumoured L1,000bn Eurolira issue.

Such a large deal could well swamp a market which appears to be suffering from a bout of indigestion.

NEW INTERNATIONAL BOND ISSUES

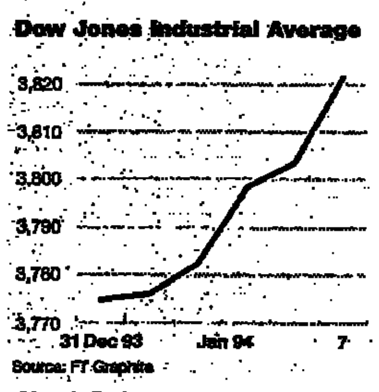
Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Republic of the Congo(a)	600	Dec.2003	zero	82.00	4.083	-	Ovirizy Capital
OKB International(b)‡	60	Jan.2004	(b)	100.25R	-	-	OKB International
Banco Bradesco	50	Jan.1997	8.00#	100.386R	7.853	+325(4⅜%-96)	Deutsche Bank Fin
Abbey Natl.Treasury Services	1bn	Jan.1997	5.00	100.125R	4.954	+32 (4⅞%-96)	G.Sachs/ Lehman
American Teleph. & Telegraph	400	Feb.1999	5.50	99.595R	5.595	+25 (5⅛%-98)	CS First Boston
Canadian Wheat Board	250	Feb.1997	4.75	99.92R	4.779	+12½(4⅛-96)	UBS
American Express Bank‡	200	Feb.2004	(f)	99.75R	-	-	Lehman Brothers Intl.
Kyocera Corp.(a)§	500	Feb.1998	1.625	100.00	-	-	Daiwa Europe
Electricité de France	250	Feb.1997	4.625	99.81R	4.694	+10 (4⅞%-96)	Paribas Capl. Markets
SNCF	250	Feb.1997	4.625	99.82R	4.691	+10 (4⅞%-96)	Daiwa Europe
NordLB (London Branch)‡	100	Feb.1996	(g)	100.00R	-	-	Merrill Lynch Intl.
Barclays Bank‡	100	Feb.1996	(i)	100.00R	-	-	Merrill Lynch Intl.
Rabobank Nederland♦	100	Feb.1995	(s)	100.00R	-	-	Goldman Sachs Intl.
D-MARKS							
Depfa Finance	1.5bn	Jan.2004	6.00	99.74R	6.035	+45 (6%-03)	Commerzbk/M.Stanley
Bayerische VB O'seas	1bn	Feb.1999	5.00	101.45	4.668	-	Bayerische Vereinsbank
Deutsche Finance Neths	1bn	Feb.2004	5.75	101.73	5.520	-	Deutsche Bank
DSL Finance	1bn	Feb.1999	5.00	99.40R	5.139	+12 (5¾%-98)	Dresdner Bank
Bayernhypo Finance	500	Feb.2004	6.00	101.10	5.852	-	Bayerische Hypobank
BHF Finance (Neths)	200	Feb.2004	6.00	100.00	6.000	-	BHF-Bank
Deutsche Bau-& Boden Bank‡	150	Feb.2004	(m)	101.30	-	-	DG Bank
Europaeische Hypothekenbank	100	Feb.1999	5.125	101.20	4.849	-	Frankfurter Hypo.
Trinkaus & Burkhardt Fin.	200	Feb.1999	5.00	100.65	4.850	-	Trinkaus & Burkhardt
OKB	100	Jan.2001	(l)	99.55R	-	-	Morgan Stanley Fin
YEN							
Kingdom of Sweden‡	50bn	Jan.1999	(c)	104.70	-	-	Nikko Europe
Treasury Corp. of Victoria	30bn	Jan.1998	1.75	99.925R	1.789	-	Nomura International
Finnish Export Credit(d,e)	10bn	Jan.1997	2.00	100.138R	-	-	Nomura International
Finnish Export Credit(d,f)‡	10bn	Jan.1997	(f)	102.718R	-	-	Nomura International
OKB‡	30bn	Jan.2001	(l)	107.816	-	-	Nikko Europe
Republic of Austria	60bn	Feb.2009	3.75	99.21R	3.820	+65 (4½%-03)	Goldman Sachs/IBJ Intl.
STERLING							
LB Schleswig Holstein	100	Feb.2004	6.50	98.40R	6.725	+38 (6¾%-04)	Daiwa Europe
Ford Credit Europe(n)‡	100	Feb.1999	(n)	99.85R	-	-	Baring Brothers
Euro.Coal & Steel Community	50	Jan.2019	6.875	99.718R	6.899	+23 (8¾%-17)	BZW
Bradford & Bingley B/S‡	150	Feb.1999	(p)	100.00	-	-	Samuel Montagu
FRENCH FRANCS							
France Telecom(q)	2.5bn	Nov.2006	6.25	102.20R	5.995	+16 (g)	Crédit Lyonnais
Crédit National(r)	2bn	Nov.2004	6.00	99.97R	6.000	+30 (8¼%-04)	Société Générale
Crédit Foncier de France(s)	3bn	Nov.2002	5.75	99.20R	5.87	+22 (8½%-02)	BNP
CANADIAN DOLLARS							
CCDQ§	100	Dec.1999	6.25	99.65R	6.33	+48 (5¼%-99)	Hambros Bank
GUILDERS							
City of Amsterdam	500	Jan.2004	5.50	98.90R	5.647	+10 (5¼%-04)	ING Bank
De NIB	200	Feb.2009	6.00	98.85R	6.119	+20 (8¼%-07)	ING Bank
Rabobank Nederland(k)	200	Jan.2002	5.875	101.95	5.556	-	Rabobank Nederland
ITALIAN LIRE							
Eurofima	500bn	Feb.2004	7.70	100.00R	7.700	-	BCI
Kingdom of Sweden	250bn	Feb.1999	7.375	101.50	7.009	-	Deutsche Bank London
Dresdner Finance	200bn	Feb.2004	7.875	101.75	7.619	-	BNL
General Electric Capl. Corp.	250bn	Feb.1999	7.375	101.40	7.033	-	Paribas Capital Markets
Crédit Local de France	200bn	Jan.1999	7.50	101.875	7.042	-	JP Morgan
Bayerische Hypobank	200bn	Feb.2001	7.85	101.685	7.532	-	Banca Euromobiliare
Abbey Natl.Treas.Services	150bn	Feb.1999	7.70	101.73	7.275	-	Banca Euromobiliare
AUSTRALIAN DOLLARS							
Federal Airports Corp.	100	Feb.2004	7.00	100.175	6.975	-	Hambros Bank
National Australia Bank	100	Feb.1997	6.00	101.01	5.625	-	BZW
State Bank of New Sth Wales	250	Feb.2004	7.00	101.375	6.806	-	Deutsche Bank London
SWISS FRANCS							
Spintab	150	Feb.1999	4.125	102.00	3.680	-	Credit Suisse
LB Schleswig Holstein(Lux)‡	100	Feb.1999	(u)	101.00	-	-	Swiss Bank Corp.
Kommuninvest★	75	Mar.1996	3.75	100.90	3.278	-	Credit Suisse
LUXEMBOURG FRANCS							
European Investment Bank	2bn	Feb.1997	6.00	102.50	5.081	-	BIL

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ♦Variable rate note. ★Private Placement. #Semi-annual coupon and redemption yield. R: fixed offer price. a) Bonds are amortised at 2½% on par per quarter over 40 quarters. b) Coupon: 6-mth Libor +0.45% to 14/1/97 and 8% bid annual thereafter. Short 1st and last bid coupons. Callable on 14/1/97 at par. c) Coupon: 6-mth Libor +0.6%. d) Short 1st & 2nd coupons. e) Tranche A. f) Tranche B. Coupon: 3-mth Libor +0.4%. g) Fungible with outstanding FFr2bn. Plus 88 days accrued. Spread is over interpolated yld curve. h) Fungible with outstanding FFr3bn. Plus 72 days accrued. i) Coupon: 6-mth Libor +0.7%. j) Short 1st coupon. k) Block trade. Fungible with outstanding Fl500m. l) Coupon: 6-mth Libor +0.1%; min 5%. m) Coupon: 5.6% bid for 1st 3 yrs and 6-mth Libor flat, min 5%, max 7¾%, thereafter. n) Coupon: 3-mth Libor +¼%. Callable on int payment dates from Feb 97 at par. o) Fixing: 13/1/94. p) Coupon: 3-mth Libor +⅛%. q) Interest only accrues on days 3-mth Libor falls within following ranges: 1st 6 mths 3-4%, 2nd 6 mths 3½-4¼%, 3rd 6 mths 3¼-5½%, 4th 6 mths 3½-6%. r) Interest only accrues on days 3-mth Libor falls within following ranges: 1st 6 mths 3-4%, 2nd 6 mths 3-4¼%, 3rd 6 mths 3-5½%, 4th 6 mths 3-6%. s) Coupon: 7% if spread between 3-mth DM Libor and 3-mth $ Libor is greater than zero, otherwise zero coupon. t) Coupon: 8% for 1st yr and 30⅝% - 5 x 5yr DM swap rate thereafter. u) Coupon: 3¼% for 1st 2 yrs and 6-mth Libor -¼% thereafter. Note: Yields are calculated on ISMA basis.

EQUITY MARKETS: This Week

NEW YORK — Frank McGurty

Cash inflow cheers bulls and bears



The year-end stand-off between the inflation-wary bears and the growth-minded bulls began to erode last week under the weight of a seasonal inflow of funds from institutional investors adjusting their portfolios for 1994.

The Dow Jones Industrial Average pushed above the 3,800 level, an important barrier, for the first time and rang up a 66-point advance on the week.

The balance may tip more decisively this week. Based on last Friday's December employment data and expectations of tame consumer and producer price reports this week, the optimists have every reason to feel vindicated.

However, the next few days may test their patience. The strides taken last week were in part explained by the so-called January effect. This phenomenon is caused by the reinvestment of cash generated for tax-related stock sales at the end of the previous year. With the January surge tampering off, cyclical stocks may stall.

Given the sharp, speculative rise of cyclical stocks "investors may have trouble finding value in the near term", says Mr James Solloway, director of equity research at Argus Research in New York.

"After the past two weeks, the market has become a little bit extended, a little too leggy," agrees Mr Alfred Goldman, technical market analyst at A.G. Edwards & Sons of St Louis. "This week there may be a pause to refresh."

If so, Mr Solloway would view any pull-back as a buying opportunity. The overall trend remains bullish, both analysts believe, citing the economic fundamentals.

Those who see a sustained period of low-inflationary growth on the horizon were cheered on Friday when the Labor Department reported non-farm payrolls last month grew by 183,000, well below expectations, but strong enough to suggest continued economic buoyancy.

The figure reinforces the impression that the economy is expanding on the back of productivity gains rather than increased labour costs, a trend which Mr David Hale, chief economist with Kemper Securities in Chicago, expects to continue through 1994. That bodes well for fat corporate profits as well as low interest rates – both of which are supporting stock prices.

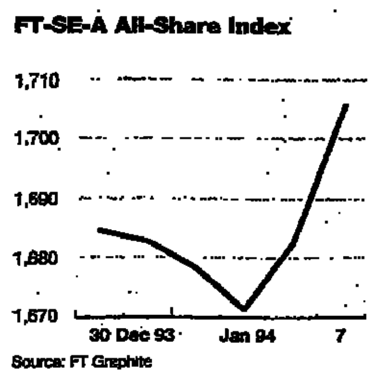
Cyclical companies are benefiting from strong capital spending by manufacturers. Equities in general have prospered as investors seek better returns than money market funds and other short-term instruments are yielding.

The focus is centred on December's producer price index, due Wednesday, and the consumer price index scheduled for release the next day. The data will provide direct evidence of inflationary pressures.

Donaldson, Lufkin & Jenrette is forecasting a 0.1 per cent PPI decline and a 0.1 per cent rise in the CPI, suggesting prices are well under control. If those estimates prove accurate, the bond market is likely to rally and "any pause to refresh" in equities may turn out to be very brief indeed.

LONDON — Terry Byland

US investors help ease the indigestion



The reappearance of US buyers at the end of last week rescued London from what was beginning to look like prolonged post-Christmas indigestion. Friday afternoon is not usually the best time to take the market's temperature, but there had been previous indications that the mid-week fall of just over 100 points from the FT-SE closing peak of 3,462 at the end of December was probably no more than an acceptable bout of profit-taking.

The lead is coming from the FT-SE Mid 250 Index, which gained more than 3 per cent last week, much of it while the FT-SE 100 Index was moving uncertainly. Institutional fund managers, as well as private investors, are buying the Mid 250 stocks not just because the potential gains are greater, but because faith in economic recovery remains solid.

The Mid 250 Index is the entry point for the range of capital goods stocks, a sector which attracts institutional cash both from home and abroad. The focus on the futures-related Footsie stocks in the run-up to Christmas may have cheated the Mid 250 stocks of their share of investor optimism.

The blue chip issues which make up the FT-SE 100 list are still strongly – perhaps too strongly – influenced by the March contract on the Footsie future, which is more erratic than in the days when it carried equities to peaks every day.

The FT-SE 100 stocks have become less reliable on their own account, as fund managers have shown themselves more selective. Much of last week's recovery leaned heavily on strength in BP, Shell and the lesser oil stocks, which will remain dependent on prospects for a fresh attempt by Opec to cut production and raise crude oil prices.

No Opec move is likely this week, and the absence from the week's company reporting list of the big store companies offers further respite. The profits warning from Dixons proved a false alarm for the sector but any true upswing in the mainline retailers must wait upon profit figures from the leaders. Shares in Kingfisher, Sears and Marks & Spencer have heavily underperformed since the market went into orbit at the beginning of December, and the confidence in recovery in the economy needs underpinning from these monarchs of the consumer spending jungle.

Banking stocks, stars of the most recent advance in share prices, are poised to report 1993 results, with TSB expected to lead the way at the end of this week. But the banking results are unlikely to affect overall views on the market's direction.

If the US funds still rate the UK market high on their buying lists – and a number of brokerage houses support that view – then the stock market should see the effects this week as business returns to full throttle after the curtailed post-Christmas week. Barring any upsets from the over-the-counter options arena or from global oil prices, the blue chips are likely to continue to shake off the profit-takers. But the Footsie may have to run hard to catch up with the Mid 250 Index.

OTHER MARKETS

MILAN

Italian markets are hoping that the date for general elections will be announced after Wednesday's parliamentary vote of confidence in the government. The markets became increasingly anxious last week over political infighting between those wanting an early election in April, and others who would prefer June to give the weakened centre parties more time to regroup.

STOCKHOLM

Today's Swedish budget is expected to provide the market with some support. However, continuing political rows over environmental issues involving the Oresund bridge project could offset otherwise positive expectations. Unibank says that with the marked strengthening of the krona and the sharp fall in long-dated interest rates in mind, the scope for a cut in the marginal lending rate has improved.

FRANKFURT

The German markets look likely to move sideways in the coming week, although UBS warns that the banks could continue to underperform. UBS adds that market participants were too optimistic about the impact of fresh liquidity in January. The market will be vulnerable until overhanging trading positions, bought in anticipation of a good performance, have been cleared.

PARIS

Inflation figures for December are due today. NatWest Securities says that another low figure should buttress the franc, reinforcing the ability of the Bank of France to lower rates once the Bundesbank moves again.

LONDON

FG Inversiones Bursátiles, the influential independent Spanish stockbroker, will be setting out its thoughts on the outlook for the Madrid market at a presentation in London tomorrow. Today, Davy Stockbrokers of Dublin is in London to present its view on prospects for the Irish market.

TOKYO

Shares, which recovered the 18,000-level after foreign buying last week, are likely to hover around that level as a result of profit-taking ahead of the March book closing. However, the Nikkei may see steady buying as a further fall in long-term interest rates could trigger a shift of funds into stocks.

INDICES AT A GLANCE

	Closing price	Percentage Change: Over week	On 12 months	Since Jan 1	12 month: High		Low		1994: High		Low	
FT-SE 100	3,446.0	+0.8	+22.4	+0.8	3,462.0	29/12/93	2,737.6	19/1/93	3,418.4	3/1/94	3,379.2	5/1/94
Dow Jones Ind.	3,820.77	+1.8	+0.4	+1.8	3,820.77	7/1/94	3,241.95	20/1/93	3,820.77	7/1/94	3,756.60	3/1/94
Nikkei	18,124.01	+4.1	+8.0	+4.1	21,148.11	13/9/93	16,078.71	29/11/93	18,124.01	7/1/94	17,369.74	4/1/94
Dax	2,211.64	-2.4	+43.4	-2.4	2,267.98	3/1/94	1,516.50	13/1/93	2,267.98	3/1/94	2,211.64	7/1/94
CAC 40	2,307.55	+1.7	+25.1	+1.7	2,307.55	7/1/94	1,772.21	29/1/93	2,307.55	7/1/94	2,249.55	5/1/94
Banca Com. Ital.	596.90	-3.6	+31.1	-3.6	632.86	30/8/93	449.21	11/1/93	624.51	3/1/94	596.90	7/1/94

FT Graphite

RISK AND REWARD

Gold funds add the glister to a remarkable year

1993 was a remarkable year for the world's stock markets, a fact underscored by the latest performance data on equity mutual funds. According to Lipper Analytical of New Jersey, gold funds topped the performance charts in 1993 after being laggards for a decade.

Benefiting from a 17.8 per cent rise in the price of gold and a 13 per cent appreciation of the South African rand against the US dollar, Lipper reports that gold funds posted an 80.87 per cent average return for the year.

While gold bugs finished first, every category of stock fund that Lipper tracks finished ahead for the year. Funds which invested heavily in emerging markets and international stocks were second only to gold.

Mutual funds, the investment vehicle for US investors who prefer to trust their savings to professional money managers, saw assets balloon in 1993. Stock funds in particular received an influx of cash, as people moved money out of low-yielding fixed-income accounts in search of higher returns.

Net sales of mutual fund shares reached a record $250bn in the first 11 months of the year. However, mutual fund purchases did slow in the fourth quarter, a cautious response to stock markets that were reaching historic highs.

Stock funds invested in international markets outperformed general funds, which have both US domestic and foreign investments, by a factor of three. Lipper reported an average return of 43 per cent for world equity funds, compared with an average 12.5 per cent increase in the 1,336 general equity funds it tracks.

In the US, that compares with a 16.97 per cent gain in the Dow Jones Industrial Average for the year, or the relatively lacklustre gain of 10.06 per cent in the Standard and Poor's 500 index.

The fever of rallies in emerging markets last year was reflected broadly in the mutual fund sector. Regionally, shares of Pacific basin funds advanced 63.61 per cent in the year, lifted by a 145 per cent advance in Hong Kong.

Latin American funds, rarely seen until last year, gained in popularity. The nine funds Lipper tracks posted a 57.05 per cent annual return. Canadian funds appreciated 34.3 per cent on average. Their robust growth, analysts said, could be attributed partially to optimism generated by the debate over and completion of the North American Free Trade Agreement.

Equity funds targeting European markets advanced 26 per cent, overwhelming the falls in many European currencies against the US dollar. That performance was below the 50.2 per cent five-year average for the European funds.

Japanese funds finished last in the international sector, suffering with Japan's battered stock market, but they still managed a 23 per cent annualised return. Lipper's editor Mr William McBride explains that an 11 per cent gain in the yen's value in dollar terms, combined with some first-half market gains, helped offset the effects of the slide in Japan's market in the second half of the year.

Reflecting on the fact that the current stock and bond market rallies are one of the longest in living memory, particularly in the US, Lipper advises caution in 1994 fund selection. For the nervous investor, it favours money market funds, the mutual fund industry's version of cash.

For stock funds, it advises high-quality growth funds for the least downside potential, and funds indexed to the S&P 500 for new investors.

For the adventurous, Lipper pinpoints last year's laggards, Japanese and health/biotechnology sector funds.

Laurie Morse

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ **TOKYO - MOST ACTIVE STOCKS:** Friday, January 7, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
NEC	10.1m	962	+56	Hanwa	5.1m	560	+40
Fujitsu	8.1m	879	+9	Misawa Homes	4.2m	834	-6
Isuzu Motor	7.7m	402	+17	Sumitomo Mtl Min	3.5m	1,390	+10
Furukawa Elec	6.9m	617	+30	Oki Electric Ind	3.5m	562	+4
Fujikura	6.7m	847	+36	Mitsubishi Hvy	3.5m	635	+8

INDICES

US INDICES

■ **RATIOS**

	Dec 31	Dec 17	Dec 10	Year ago
Dow Jones Ind. Div. Yield	2.68	2.67	2.67	3.14
	Jan 5	Dec 29	Dec 22	Year ago
S & P Ind. Div. yield	2.38	2.38	2.40	2.58
S & P Ind. P/E ratio	27.72	27.21	27.43	26.85

■ **STANDARD AND POORS 500 INDEX FUTURES** $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	467.55	471.25	+3.40	471.40	467.50	45,811	183,084
Jun	469.60	472.35	+3.35	472.50	468.80	130	3,722
Sep	470.80	473.40	+3.00	473.60	470.00	8	811

Open interest figures are for previous day.

■ **NEW YORK ACTIVE STOCKS**

Friday	Stocks traded	Close price	Change on day
Blockbuster	7,024,600	28¾	-1⅝
Telefonos	4,716,400	66¼	-1⅜
Cit. City	4,521,600	17¼	+⅛
Am Express	4,024,700	29⅝	-⅛
Wal-Mart	3,968,000	24½	-⅛
K Mart	3,535,200	20	+½
Merck	3,465,500	37⅞	+⅛
Adv Micro	3,129,300	18¾	+⅛

■ **TRADING ACTIVITY**

● Volume (million)

	Jan 7	Jan 6	Jan 5
New York SE	323.367	363.449	375.134
Amex	21.678	22.488	21.104
NASDAQ	(a)	349.205	349.880
NYSE			
Issues Traded	2,718	2,715	2,738
Rises	1,277	1,060	1,195
Falls	852	1,038	979
Unchanged	589	617	564

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AUTHORISED UNIT TRUSTS

Fund	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

هكذا من الأصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jan 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.1695	-0.0275	596 - 793	18.1940	18.1015	18.1723	-0.2	18.1817	-0.3	-	-	113.5
Belgium	(BFr)	53.6665	+0.0194	311 - 058	53.7890	53.5310	53.7435	-1.7	53.8685	-1.4	54.1285	-0.9	113.3
Denmark	(DKr)	10.0471	-0.007	411 - 531	10.0845	10.0385	10.0622	-1.8	10.0875	-1.6	10.1424	-0.9	115.3
Finland	(FM)	8.5795	+0.0248	617 - 973	8.5975	8.5431	-	-	-	-	-	-	79.7
France	(FFr)	8.7910	-0.0009	858 - 962	8.8045	8.7680	8.7981	-1.1	8.811	-0.9	8.8206	-0.3	108.1
Germany	(DM)	2.5834	-0.0052	822 - 846	2.5870	2.5765	2.5849	-0.7	2.5866	-0.5	2.5851	-0.1	122.8
Greece	(Dr)	371.433	-0.642	159 - 706	371.782	370.550	-	-	-	-	-	-	-
Ireland	(I£)	1.0437	+0.0006	428 - 446	1.0485	1.0400	1.0445	-0.9	1.0456	-0.7	1.0485	-0.5	103.7
Italy	(L)	2525.92	+13.37	421 - 762	2533.10	2506.75	2532.42	-3.1	2544.17	-2.9	2589.97	-2.5	76.3
Luxembourg	(LFr)	53.6665	+0.0194	311 - 058	53.7890	53.5310	53.7435	-1.7	53.8685	-1.4	54.1285	-0.9	113.3
Netherlands	(Fl)	2.8896	-0.0029	879 - 913	2.8935	2.8832	2.8898	-0.1	2.8903	-0.1	2.8799	0.3	118.5
Norway	(NKr)	11.1587	+0.0181	512 - 661	11.1725	11.1150	11.1746	-1.7	11.1725	-0.5	11.1589	0.0	85.2
Portugal	(Es)	263.074	+0.144	836 - 311	263.450	262.500	264.469	-6.4	267.089	-6.1	-	-	-
Spain	(Pta)	215.936	-0.308	677 - 195	216.530	215.360	216.671	-4.1	215.955	0.0	222.106	-2.9	84.0
Sweden	(SKr)	12.1744	-0.0107	629 - 859	12.2350	12.1360	12.1999	-2.5	12.2289	-1.8	12.3504	-1.4	75.4
Switzerland	(SFr)	2.1918	-0.0023	903 - 933	2.2002	2.1900	2.1893	1.4	2.1841	1.4	2.1591	1.5	117.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.3
Ecu	-	1.3331	+0.0009	320 - 341	1.3348	1.3288	1.3343	-1.1	1.3362	-0.9	1.3389	-0.4	-
SDR	-	0.923088	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4878	+0.003	872 - 883	1.4909	1.4780	-	-	-	-	-	-	-
Brazil	(Cr)	525.731	+9.064	553 - 909	527.000	514.000	-	-	-	-	-	-	-
Canada	(C$)	1.9712	+0.004	701 - 723	1.9750	1.9548	1.9694	1.7	1.9639	1.5	1.9535	0.9	91.8
Mexico	(New Peso)	4.6290	+0.0077	250 - 310	4.6385	4.6000	-	-	-	-	-	-	-
USA	($)	1.4905	+0.0025	900 - 910	1.4915	1.4810	1.4876	2.3	1.483	2.0	1.471	1.3	67.4
Pacific/Middle East/Africa													
Australia	(A$)	2.1704	-0.0043	689 - 719	2.1750	2.1610	2.1685	1.1	2.1665	0.7	2.1668	0.2	-
Hong Kong	(HK$)	11.5140	+0.0207	094 - 186	11.5390	11.4390	11.4914	2.4	11.4589	1.9	11.3792	1.2	-
India	(Rs)	46.7514	+0.0728	301 - 727	46.8460	46.4630	-	-	-	-	-	-	-
Japan	(Y)	166.675	-0.807	582 - 768	167.520	166.020	166.2	3.4	165.355	3.2	161.2	3.3	178.0
Malaysia	(M$)	3.9172	+0.0023	151 - 192	3.9250	3.8900	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6757	-0.0003	731 - 783	2.6800	2.6600	2.6792	-1.6	2.6813	-0.8	2.6825	-0.3	-
Philippines	(Peso)	41.2870	+0.0692	750 - 989	41.5600	40.5556	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5894	+0.0094	868 - 920	5.6005	5.5545	-	-	-	-	-	-	-
Singapore	(S$)	2.3796	+0.0102	780 - 811	2.3840	2.3570	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0659	+0.0089	630 - 687	5.0765	5.0310	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3682	-0.0302	586 - 778	6.3960	6.3095	-	-	-	-	-	-	-
South Korea	(Won)	1212.52	+2.32	137 - 367	1214.40	1204.65	-	-	-	-	-	-	-
Taiwan	(T$)	39.6175	+0.1036	297 - 053	39.7100	39.3400	-	-	-	-	-	-	-
Thailand	(Bt)	38.1270	+0.0788	993 - 547	38.1940	37.8840	-	-	-	-	-	-	-

†SDR rate for Jan 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Morgan G'ty index
Europe													
Austria	(Sch)	12.1895	-0.039	870 - 920	12.2630	12.1850	12.2195	-3.0	12.2495	-2.0	12.3395	-1.2	103.0
Belgium	(BFr)	36.0070	-0.0475	940 - 200	36.1700	35.9940	36.127	-4.0	36.317	-3.4	36.787	-2.2	103.1
Denmark	(DKr)	6.7406	-0.016	390 - 425	6.7775	6.7390	6.7608	-3.6	6.7933	-3.1	6.8783	-2.0	104.1
Finland	(FM)	5.7561	+0.007	461 - 661	5.7816	5.7461	5.7686	-2.6	5.7861	-2.1	5.8311	-1.3	75.3
France	(FFr)	5.8980	-0.0105	965 - 995	5.9300	5.8945	5.915	-3.5	5.9412	-2.9	5.9945	-1.6	104.6
Germany	(D)	1.7333	-0.0064	330 - 335	1.7455	1.7330	1.7378	-3.1	1.7444	-2.6	1.7577	-1.4	104.2
Greece	(Dr)	249.200	-0.65	100 - 300	250.700	249.100	253.05	-18.5	260.5	-18.1	294.2	-18.1	71.7
Ireland	(I£)	1.4282	+0.0016	274 - 289	1.4325	1.4135	1.4241	3.4	1.4181	2.8	1.4032	1.8	-
Italy	(L)	1694.68	+6.14	410 - 525	1702.00	1692.00	1702.33	-5.4	1715.48	-4.9	1760.13	-3.9	77.3
Luxembourg	(LFr)	36.0070	-0.0475	940 - 200	36.1700	35.9940	36.127	-4.0	36.317	-3.4	36.787	-2.2	103.1
Netherlands	(Fl)	1.9387	-0.0052	382 - 392	1.9510	1.9382	1.9426	-2.4	1.948	-1.9	1.9572	-1.0	103.7
Norway	(NKr)	7.4865	-0.0038	840 - 890	7.5225	7.4800	7.5015	-2.4	7.5265	-2.1	7.634	-2.0	95.3
Portugal	(Es)	176.500	-0.2	400 - 600	177.370	176.400	177.75	-8.5	179.99	-7.9	187.5	-6.2	94.0
Spain	(Pta)	144.875	-0.45	750 - 000	145.990	144.750	145.655	-6.5	146.895	-5.6	150.98	-4.2	78.5
Sweden	(SKr)	8.1680	-0.0209	630 - 730	8.2530	8.1630	8.2005	-4.8	8.2442	-3.7	8.3855	-2.7	80.6
Switzerland	(SFr)	1.4705	-0.004	700 - 710	1.4845	1.4700	1.4716	-0.9	1.4727	-0.6	1.4673	0.2	103.7
UK	(£)	1.4905	+0.0025	900 - 910	1.4910	1.4810	1.4876	2.3	1.483	2.0	1.471	1.3	91.2
Ecu	-	1.1181	+0.0016	176 - 186	1.1186	1.1115	1.115	3.4	1.11	2.9	1.0996	1.7	-
SDR	-	1.37014	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9982	+0.0003	981 - 982	0.9982	0.9975	-	-	-	-	-	-	-
Brazil	(Cr)	352.721	+5.496	720 - 722	352.735	352.700	-	-	-	-	-	-	-
Canada	(C$)	1.3225	+0.0005	222 - 228	1.3230	1.3185	1.3232	-0.6	1.3242	-0.5	1.3275	-0.4	88.3
Mexico	(New Peso)	3.1050	-	040 - 060	3.1060	3.1040	3.1067	-0.7	3.1108	-0.7	3.125	-0.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.1
Pacific/Middle East/Africa													
Australia	(A$)	1.4562	-0.0053	556 - 567	1.4635	1.4555	1.4574	-1.0	1.4604	-1.2	1.4685	-0.8	86.4
Hong Kong	(HK$)	7.7249	+0.0009	244 - 254	7.7254	7.7230	7.7284	-0.5	7.7314	-0.3	7.7386	-0.2	-
India	(Rs)	31.3663	-0.0037	625 - 700	31.3700	31.3625	31.4463	-3.1	31.6513	-3.6	-	-	-
Japan	(Y)	111.825	-0.73	800 - 850	112.750	111.600	111.75	0.8	111.5	1.2	109.58	2.0	138.0
Malaysia	(M$)	2.6281	-0.0029	276 - 286	2.6300	2.6235	2.6311	-1.4	2.6391	-1.7	2.6806	-2.0	-
New Zealand	(NZ$)	1.7952	-0.0032	940 - 963	1.7963	1.7930	1.7965	-0.9	1.7996	-1.0	1.8077	-0.7	-
Philippines	(Peso)	27.7000	-	000 - 000	27.9000	27.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7500	-	495 - 505	3.7505	3.7495	3.7585	-2.7	3.77	-2.1	3.79	-1.1	-
Singapore	(S$)	1.5965	+0.0042	960 - 970	1.5970	1.5915	1.5948	1.3	1.593	0.9	1.599	-0.2	-
S Africa (Com.)	(R)	3.3988	+0.0003	980 - 995	3.4095	3.3925	3.4151	-5.8	3.4441	-5.3	3.5511	-4.5	-
S Africa (Fin.)	(R)	4.2725	-0.0275	675 - 775	4.3125	4.2550	4.2995	-7.6	4.3575	-8.0	-	-	-
South Korea	(Won)	813.500	+0.2	000 - 000	814.300	813.000	816.5	-4.4	820	-3.2	838.5	-3.1	-
Taiwan	(T$)	26.5800	+0.025	300 - 300	26.6300	26.5000	26.6389	-2.7	26.76	-2.7	-	-	-
Thailand	(Bt)	25.5800	+0.01	700 - 900	25.6000	25.5500	25.6075	-1.3	25.655	-1.2	26.105	-2.1	-

†SDR rate for Jan 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Morgan Guaranty Changes shown for Jan 6. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.73	16.38	4.813	1.945	4707	5.385	20.79	490.2	402.3	22.68	4.084	1.863	3.672	2.778	310.6	2.484
Denmark	(DKr)	53.40	10	8.747	2.570	1.039	2513	2.876	11.10	261.8	214.8	12.11	2.181	0.995	1.961	1.484	165.9	1.326
France	(FFr)	61.05	11.43	10	2.938	1.188	2873	3.287	12.69	299.3	245.6	13.84	2.493	1.138	2.242	1.696	189.6	1.516
Germany	(DM)	20.78	3.891	3.403	1	0.404	977.9	1.119	4.321	101.9	83.58	4.712	0.849	0.387	0.763	0.577	64.54	0.516
Ireland	(I£)	51.41	9.626	8.420	2.474	1	2420	2.768	10.69	252.0	206.8	11.66	2.100	0.958	1.888	1.428	159.7	1.277
Italy	(L)	2.125	0.398	0.348	0.102	0.041	100.	0.114	0.442	10.42	8.547	0.482	0.087	0.040	0.078	0.059	6.599	0.053
Netherlands	(Fl)	18.57	3.478	3.042	0.894	0.361	874.0	1	3.862	91.04	74.71	4.211	0.758	0.346	0.682	0.516	57.68	0.461
Norway	(NKr)	48.09	9.005	7.877	2.315	0.935	2263	2.590	10	235.8	193.5	10.91	1.964	0.896	1.766	1.336	149.4	1.194
Portugal	(Es)	20.40	3.820	3.341	0.982	0.397	960.1	1.098	4.242	100.	82.06	4.626	0.833	0.380	0.749	0.567	63.36	0.507
Spain	(Pta)	24.86	4.655	4.072	1.196	0.484	1170	1.339	5.169	121.9	100.	5.637	1.015	0.463	0.913	0.691	77.21	0.617
Sweden	(SKr)	44.10	8.258	7.224	2.122	0.858	2076	2.375	9.170	216.2	177.4	10	1.801	0.822	1.620	1.225	137.0	1.095
Switzerland	(SFr)	24.48	4.585	4.010	1.178	0.476	1152	1.318	5.091	120.0	98.49	5.552	1	0.456	0.899	0.680	76.05	0.608
UK	(£)	53.67	10.05	8.791	2.583	1.044	2526	2.890	11.16	263.1	215.9	12.17	2.192	1	1.971	1.491	166.7	1.333
Canada	(C$)	27.23	5.099	4.460	1.311	0.530	1282	1.466	5.662	133.5	109.5	6.175	1.112	0.507	1	0.756	84.58	0.676
US	($)	36.00	6.740	5.896	1.732	0.700	1694	1.938	7.485	176.5	144.8	8.162	1.470	0.671	1.322	1	111.8	0.894
Japan	(Y)	322.0	60.29	52.74	15.49	6.263	15153	17.34	66.95	1578	1295	73.01	13.15	5.999	11.82	8.944	1000.	7.998
Ecu		40.26	7.539	6.595	1.938	0.783	1895	2.168	8.372	197.4	162.0	9.130	1.644	0.750	1.479	1.119	125.1	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.5705	0.5759	+0.0056	0.5765	0.5704	50,825	139,851
Jun	0.5670	0.5729	+0.0054	0.5737	0.5660	998	6,230
Sep	-	0.5710	+0.0053	0.5706		1	184

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.6741	0.6804	+0.0067	0.6823	0.6733	25,039	48,264
Jun	0.6757	0.6800	+0.0067	0.6815	0.6735	122	333
Sep	-	0.6806	+0.0068	-	-	2	30

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.8892	0.8951	+0.0059	0.8977	0.8887	18,293	98,907
Jun	0.8959	0.8987	+0.0056	0.9007	0.8929	649	4,635
Sep	-	0.9035	+0.0054	0.9055	0.9037	20	298

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	1.4750	1.4876	+0.0122	1.4900	1.4750	11,948	29,579
Jun	-	1.4812	+0.0118	1.4840	1.4740	77	964
Sep	-	1.4764	+0.0114	1.4780		4	9
Dec	-	1.4734	+0.0110	1.4750		9	5

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.400	8.89	8.68	8.74	-	0.01	0.29
1.425	6.45	6.37	6.65	-	0.14	0.64
1.450	3.97	4.27	4.76	-	0.48	1.23
1.500	1.78	2.54	3.18	0.15	1.18	2.13
1.500	0.36	1.28	2.02	1.23	2.42	3.36
1.525	-	0.55	1.18	3.30	4.14	5.01

Previous day's vol., Calls 38,947 Puts 13,901. Prev. day's open int., Calls 513,431 Puts 452,119

UK INTEREST RATES

LONDON MONEY RATES

Jan 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 2½	5¼ - 4⅞	5 7/32 - 5 5/32	5 7/32 - 5 5/32	5⅜ - 5¼	5 5/16 - 5 3/16
Sterling CDs	-	-	5 11/32 - 5 9/32	5 5/16 - 5 7/32	5 7/32 - 5 3/16	5 9/32 - 5¼
Treasury Bills	-	-	5⅛ - 5 1/16	5 - 4 15/16	-	-
Bank Bills	-	-	5⅛ - 5 3/32	5 3/32 - 5 1/16	5 - 4 31/32	-
Local authority deps.	5 1/16 - 4 15/16	5 5/16 - 5 3/16	5 5/16 - 5 3/16	5 5/16 - 5 3/16	5 3/16 - 5 1/16	5 1/16 - 4 15/16
Discount market deps.	5¼ - 3	5⅛ - 4⅞	-	-	-	-

UK clearing bank base lending rate 5½ per cent from November 23, 1993

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1¾	4¼	4	3¾	3¼

Certs of Tax dep. under £100,000 is 2¼pc. Deposits withdrawn for cash 1pc. Ave. tender rate of discount 4.8934pc. ECGD fixed rate Stlg. Export Finance. Make up day December 31, 1993. Agreed rate for period Jan 26, 1994 to Feb 25, 1994, Schemes II & III 6.65pc. Reference rate for period Dec 1, 1993 to Dec 31, 1993, Schemes IV & V 5.375pc. Finance House Base Rate 5½pc from Jan 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Jan 7	Dec 31		Jan 7	Dec 31
Bills on offer	£200m	£200m	Top accepted rate	4.8934%	4.8934%
Total of applications	£923m	£718m	Ave. rate of discount	4.8309%	4.8934%
Total allocated	£200m	£200m	Average yield	4.9513%	4.9538%
Min. accepted bid	£98.780	£98.780	Offer at next tender	£200m	£200m
Allotment at min. level	77%	74%	Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on page 23 in today's edition.

■ **Pound in New York**

Jan 7	Close	Prev. close
£ spot	1.4930	1.4820
1 mth	1.4900	1.4791
3 mth	1.4854	1.4745
1 yr	1.4726	1.4630

FIXED INTEREST RATES

MONEY RATES

January 7	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	7 3/16	7 1/16	6⅞	6 9/16	6½	7.40	5.25	-
week ago	7¼	7 1/16	6⅞	6 9/16	6½	7.40	5.25	-
France	6½	6½	6⅜	6 1/16	5⅞	6.20	-	7.75
week ago	6.50	6½	6¼	6	5⅞	6.20	-	7.75
Germany	6.02	6.05	5.80	5.55	5.18	6.75	5.75	6.00
week ago	6.68	6.05	5.88	5.62	5.25	6.75	5.75	6.00
Ireland	6 3/16	6 3/16	6¼	5 15/16	5¾	-	-	6.75
week ago	6 3/16	6 3/16	6¼	5½	5¾	-	-	6.75
Italy	8 13/16	8⅝	8⅜	8¼	8 1/16	-	8.00	8.72
week ago	8¾	8⅝	8⅜	8¼	7⅞	-	8.00	8.72
Netherlands	5.72	5.47	5.20	5.01	4.80	-	5.25	-
week ago	5.84	5.47	5.43	5.16	4.90	-	5.25	-
Switzerland	4	4⅛	4	3⅞	3⅝	6.625	4.25	-
week ago	6	4⅛	4⅜	4	3¾	6.625	4.25	-
US	2 15/16	3⅛	3¼	3⅜	3¾	-	3.00	-
week ago	2 15/16	3⅛	3¼	3⅜	3¾	-	3.00	-
Japan	2 1/16	2⅛	2 1/16	1⅞	1 13/16	-	1.75	-
week ago	2⅛	2⅛	2¼	1 13/16	1⅞	-	1.75	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	3 3/16	3⅜	3½	3¾	-	-	-
week ago	-	3 3/16	3⅜	3½	3 13/16	-	-	-
US Dollar CDs	-	2.98	3.06	3.18	3.49	-	-	-
week ago	-	2.98	3.11	3.25	3.59	-	-	-
SDR Linked Ds	-	3⅞	3⅞	3 13/16	3 11/16	-	-	-
week ago	-	3⅞	3⅞	3 13/16	3 13/16	-	-	-

3 Month US Treasury Bill Yield 3.09 Prime Rate 6pc $ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	7 5/16 - 7 1/16	7 5/16 - 7 1/16	7 1/16 - 6 15/16	6 13/16 - 6 11/16	6⅝ - 6¼	6 1/16 - 5 13/16
Danish Krone	7 - 6¼	7¼ - 6⅝	7 - 6½	6¾ - 6½	6 7/16 - 6 3/16	6 1/16 - 5⅞
D-Mark	6⅛ - 6	6 3/16 - 6 1/16	6⅛ - 6	5⅞ - 5¾	5⅝ - 5½	5¼ - 5⅛
Dutch Guilder	5 11/16 - 5 9/16	5⅝ - 5½	5½ - 5⅜	5¼ - 5⅛	5 1/16 - 4 15/16	4 13/16 - 4 11/16
French Franc	6⅝ - 6½	6⅝ - 6½	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 1/16 - 5 15/16	5⅝ - 5½
Portuguese Esc.	11⅜ - 11⅛	11⅜ - 11	11½ - 11	11½ - 11	11⅛ - 10¾	10½ - 10
Spanish Peseta	9 13/16 - 9⅝	9 13/16 - 9 5/16	9 11/16 - 9 7/16	8⅞ - 8 11/16	8½ - 8 5/16	8 3/16 - 8
Sterling	5½ - 5¼	5½ - 5⅜	5 7/16 - 5⅜	5 7/16 - 5 5/16	5⅜ - 5¼	5¼ - 5⅛
Swiss Franc	4⅜ - 4⅛	4⅜ - 4⅛	4 3/16 - 4 1/16	4 - 3⅞	3⅞ - 3¾	3 13/16 - 3 11/16
Can. Dollar	3 13/16 - 3¾	3 13/16 - 3⅝	3⅞ - 3¾	4 - 3⅞	4⅛ - 4	4¼ - 4⅛
US Dollar	3 - 2⅞	3⅛ - 3	3 3/16 - 3 1/16	3 5/16 - 3 3/16	3½ - 3⅜	3 13/16 - 3 11/16
Italian Lira	10 - 8	8¾ - 8¼	8½ - 8	8½ - 8	8¼ - 7⅞	8 - 7⅝
Yen	2 7/16 - 2 5/16	2 7/16 - 2 5/16	2 7/16 - 2 5/16	2 3/16 - 2 1/16	2 - 1⅞	1⅞ - 1¾
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.49	96.59	+0.11	96.60	96.49	58,639	416,841
Jun	96.16	96.32	+0.17	96.33	96.14	117,369	357,237
Sep	95.86	96.03	+0.18	96.05	95.84	89,208	260,951
Dec	95.45	95.64	+0.20	95.66	95.44	37,843	187,305

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.79	96.88	+0.10	96.89	96.79	1,350	27,544
Jun	96.50	96.65	+0.16	96.66	96.50	713	6,219
Sep	96.28	96.40	+0.17	96.40	96.28	640	1,411

All Open interest figs. are for previous day

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 7 1994 US Dollar Index	% chg since 31/12/92	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/92	Gross Div. Yield	THURSDAY JANUARY 6 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	169.87	+1.6	168.97	120.07	153.08	164.50	+0.6	3.13	170.45	169.63	121.27	154.17	165.67	170.83	117.39	118.62
Austria (17)	185.74	+0.4	184.76	131.30	167.38	167.19	+0.4	0.95	187.17	186.49	133.17	169.29	169.01	188.00	131.16	133.51
Belgium (42)	165.71	+1.9	164.83	117.12	149.32	147.14	+1.5	3.91	164.66	164.06	117.14	148.93	146.40	166.01	131.19	132.87
Canada (107)	139.40	+2.7	138.67	98.53	125.61	133.50	+2.5	2.51	139.76	139.25	99.43	126.40	133.78	139.76	111.41	112.92
Denmark (32)	255.89	+3.5	254.53	180.88	230.59	234.60	+2.7	0.97	256.21	255.28	182.29	231.73	235.45	256.60	185.11	190.92
Finland (22)	131.72	+6.9	131.02	93.11	118.70	159.12	+6.3	0.66	130.66	130.19	92.97	118.18	157.65	131.72	65.50	72.71
France (99)	179.90	+2.2	178.95	127.16	162.10	166.44	+2.1	2.79	177.01	176.36	125.93	160.08	164.05	179.90	142.72	146.33
Germany (59)	137.62	-1.9	136.89	97.29	124.01	124.01	-2.1	1.67	137.78	137.28	98.04	124.61	124.61	142.38	101.59	102.23
Hong Kong (58)	455.75	-6.9	453.33	322.15	410.71	462.00	-6.9	2.41	472.32	470.60	336.04	427.22	468.38	506.56	218.62	222.57
Ireland (14)	201.28	+8.7	200.21	142.28	181.38	198.58	+7.2	2.85	198.87	198.15	140.07	178.06	194.45	201.28	129.28	143.31
Italy (69)	66.43	-3.1	66.06	46.96	59.86	84.08	-4.1	1.95	67.68	67.43	48.15	61.21	85.35	79.93	53.78	55.27
Japan (469)	133.55	+2.6	132.84	94.40	120.36	94.40	+2.8	0.87	131.55	131.07	93.59	119.00	93.59	165.91	100.75	103.13
Malaysia (69)	570.50	-3.6	567.47	403.25	514.09	577.44	-5.9	1.26	592.53	590.37	421.55	535.90	600.40	621.63	251.66	258.89
Mexico (18)	2457.89	+2.9	2444.86	1737.40	2214.90	8344.16	+2.9	0.61	2433.51	2424.66	1731.39	2201.03	8261.39	2457.89	1410.30	1715.04
Netherland (26)	203.59	+2.3	202.51	143.91	183.47	180.15	+2.1	2.94	203.43	202.69	144.74	184.00	180.49	203.59	150.39	151.33
New Zealand (14)	68.74	+1.2	68.37	48.59	61.94	65.62	+1.6	3.58	67.68	67.43	48.16	61.22	64.63	68.74	40.56	41.68
Norway (23)	189.01	+6.2	188.01	133.61	170.33	192.06	+4.7	1.33	188.54	187.86	134.14	170.53	191.68	189.01	137.71	142.29
Singapore (45)	361.04	-1.6	359.13	255.21	325.34	265.62	-2.5	1.55	369.84	368.49	263.13	334.50	271.38	378.92	207.04	212.32
South Africa (60)	280.26	+4.8	278.77	198.10	252.54	261.71	+4.5	2.13	277.22	276.21	197.23	250.73	260.54	280.26	144.72	152.99
Spain (42)	138.43	-0.7	137.70	97.85	124.74	151.93	+0.7	3.94	137.24	136.74	97.65	124.13	151.10	145.24	115.23	117.92
Sweden (36)	209.38	+6.6	208.27	148.01	188.69	253.18	+4.5	1.38	204.37	203.63	145.41	184.85	247.76	209.38	149.70	162.55
Switzerland (49)	166.68	+4.1	165.79	117.83	150.22	151.95	+3.1	1.42	165.14	164.54	117.50	149.36	150.96	166.68	106.91	110.11
United Kingdom (216)	209.24	+2.0	208.13	147.89	188.53	208.12	+1.3	3.45	206.14	205.39	146.65	186.43	205.39	209.24	162.00	173.67
USA (518)	191.15	+0.7	190.13	135.12	172.26	191.15	+0.7	2.73	190.00	189.31	135.19	171.86	190.00	191.68	175.38	175.38
Europe (745)	172.33	+1.6	171.41	121.81	155.30	166.85	+1.1	2.72	170.71	170.09	121.46	154.41	165.61	172.33	133.92	135.83
Nordic (113)	200.49	+6.8	199.42	141.72	180.67	210.63	+4.3	1.18	197.59	196.87	140.56	178.71	207.97	200.49	142.13	148.36
Pacific Basin (722)	147.19	+1.5	146.41	104.04	132.64	107.33	+1.6	1.14	146.07	145.54	103.93	132.12	107.10	168.80	105.89	107.71
Euro-Pacific (1467)	157.49	+1.5	156.66	111.32	141.92	130.10	+1.3	1.88	156.17	155.60	111.10	141.24	129.61	162.86	117.26	119.09
North America (625)	187.91	+0.7	186.91	132.84	169.38	187.17	+0.7	2.72	186.85	186.17	132.86	169.03	186.11	188.13	171.51	171.51
Europe Ex. UK (530)	149.42	+1.4	148.63	105.64	134.66	142.82	+0.9	2.23	148.55	148.01	105.71	134.39	142.30	150.04	112.51	113.48
Pacific Ex. Japan (253)	277.26	-3.4	275.79	196.01	249.88	255.97	-4.1	2.36	284.23	283.20	202.26	257.10	262.64	296.36	152.70	152.70
World Ex. US (1652)	159.94	+1.7	159.09	113.07	144.13	133.61	+1.4	1.86	158.54	158.06	112.87	143.49	133.02	162.69	118.51	120.27
World Ex. UK (1955)	165.54	+1.2	164.66	117.02	149.19	146.21	+1.1	2.04	164.47	163.87	117.02	148.77	145.62	168.66	134.22	134.53
World Ex. So. Af. (2110)	168.64	+1.2	167.75	119.22	151.98	150.65	+1.1	2.19	167.41	166.80	119.12	151.43	149.89	170.46	137.29	137.92
World Ex. Japan (1701)	189.70	+0.6	188.70	134.11	170.96	185.91	+0.6	2.65	188.82	188.13	134.35	170.81	185.20	189.70	157.47	157.57
The World Index (2170)	169.34	+1.3	168.44	119.70	152.61	151.53	+1.1	2.16	168.09	167.48	119.60	152.05	150.77	170.68	137.32	137.92

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 122.22 (Local). Constituent changes during the week ending 7/1/94: Additions: Eastman Chemical (USA) and Playmates Toys Holdings (Hong Kong). Deletions: Travelers (USA) and Unitas 'C' (Finland). Name change: Primerica to Travelers (USA). Following the merger of Banco Lariano, B.P.L. and San Paolo (all Italian), by way of a share exchange, the free float of the latter will be increased to 33.15%. Consequently the full share capital of San Paolo will be used in the index with effect 13/1/94. Deletion (13/1/94): Banco Lariano (Italy).

STOCK INDICES

	Jan 7	Jan 6	Jan 5	Jan 4	Dec 31	1993/94 High	1993/94 Low	Since comp. High	Since comp. Low
FT-SE 100	3446.0	3403.0	3378.2	3408.5	3418.4	3462.0	2737.6	3462.0	986.9
FT-SE Mid 250	3912.5	3849.0	3820.4	3792.4	3791.3	3912.5	2878.3	3912.5	1379.4
FT-SE Mid 250 ex ITs	3908.8	3841.2	3808.4	3787.5	3777.3	3908.8	2874.6	3908.8	1378.3
FT-SE-A 350	1725.6	1702.8	1690.7	1700.0	1703.0	1725.6	1348.7	1725.6	664.5
FT-SE SmallCap	1916.89	1896.98	1887.98	1874.73	1865.68	1916.89	1377.88	1916.89	1363.79
FT-SE SmallCap ex ITs	1870.42	1848.48	1838.75	1825.29	1818.15	1870.42	1380.08	1870.42	1363.79
FT-SE-A All-Share	1705.66	1683.61	1671.92	1679.71	1682.17	1705.66	1330.19	1705.66	61.92

	Jan 7	Jan 6	Jan 5	Jan 4	Dec 31	1993/94 High	1993/94 Low	Since comp. High	Since comp. Low
FT-SE Eurotrack 100	1483.12	1481.29	1473.05	1479.29	1473.36	1485.12	1063.02	1485.12	900.45
FT-SE Eurotrack 200	1559.88	1548.25	1540.12	1545.77	1546.84	1559.88	1144.79	1559.88	938.62
FT Ordinary	2617.4	2580.5	2545.2	2552.0	2559.5	2617.4	2124.7	2617.4	49.4
FT Govt Securities	108.95	106.46	106.57	106.91	107.60	107.80	93.28	127.40	49.18
FT Fixed Interest	131.06	130.99	131.15	131.66	132.03	132.03	106.67	132.03	50.53
FT Gold Mines	268.9	271.7	275.9	277.9	257.7	277.9	60.0	734.7	43.5

BASE LENDING RATES

	%		%		%
Adam & Company	5.5	Duncan Lawrie	5.5	* Roxburghe Bank Ltd is no longer authorised as a banking institution.	6
Allied Trust Bank	5.5	Exeter Bank Limited	6.5	Royal Bk of Scotland	5.5
AIB Bank	5.5	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.5
●Henry Ansbacher	5.5	●Robert Fleming & Co	5.5	Standard Chartered	5.5
Bank of Baroda	5.5	Girobank	5.5	TSB	5.5
Banco Bilbao Vizcaya	5.5	●Guinness Mahon	5.5	●United Bk of Kuwait	5.5
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.5	Unity Trust Bank Plc	5.5
Bank of Ireland	5.5	●Hambros Bank	5.5	Western Trust	5.5
Bank of India	5.5	Heritable & Gen Inv Bk.	5.5	Whiteaway Laidlaw	5.5
Bank of Scotland	5.5	●Hill Samuel	5.5	Wimbledon & Sth West.	7
Barclays Bank	5.5	C. Hoare & Co	5.5	Yorkshire Bank	5.5
Brit Bk of Mid East	5.5	Hongkong & Shanghai.	5.5		
●Brown Shipley	5.5	Julian Hodge Bank	5.5	● Members of British Merchant Banking & Securities Houses Association	
CL Bank Nederland	5.5	●Leopold Joseph & Sons	5.5	* In administration	
Citibank NA	5.5	Lloyds Bank	5.5		
City Merchants Bank	5.5	Meghraj Bank Ltd	5.5		
Clydesdale Bank	5.5	Midland Bank	5.5		
The Co-operative Bank	5.5	* Mount Banking	6		
Coutts & Co	5.5	NatWestminster	5.5		
Credit Lyonnais	5.5	●Rea Brothers	5.5		
Cyprus Popular Bank	5.5				

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price £	+or-
-	F.P.	-	95	90	Budgens 5pc Cv 2003	94	
-	F.P.	-	110¼p	99¼p	Sun Alliance 7⅜pc Pf	109¾p	+¼
-	F.P.	-	126	107	Witan 6¼pc Bds	126	+1

pm Price at a premium. p Pence.

BANK RETURN

BANKING DEPARTMENT	Wednesday January 5, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	4,381,504,916	+1,081,263,201
Bankers deposits	1,591,307,280	+134,105,754
Reserve and other accounts	5,166,338,555	-1,266,840,452
	11,153,703,751	-51,471,497
Assets		
Government securities	1,135,818,753	+59,775,000
Advance and other accounts	9,562,108,822	-111,479,304
Premise, equipment and other secs	444,495,958	+799,009
Notes	11,060,436	-562,363
Coin	219,782	-3,839
	11,153,703,751	-51,471,497
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,428,939,564	-949,437,637
Notes in Banking Department	11,060,436	-562,363
	18,440,000,000	-950,000,000
Assets		
Government debt	11,015,100	
Other Government securities	5,920,885,996	+8,215,151
Other Securities	12,508,098,904	-958,215,151
	18,440,000,000	-950,000,000

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	53.3	102	100	Aberforth Sp C	100½		-	-	-	-
100	F.P.	28.8	102	92	Abtrust LLoyds	98	+1	-	-	-	-
100	F.P.	92.0	107	96	CLM Insce	107		-	-	-	-
§155	F.P.	287.9	184	178	Chelsfield	184	+2	MN2.4	-	1.6	-
280	F.P.	333.8	320	268	DFS Furniture	320		L6.4	2.1	2.5	-
100	F.P.	63.7	100	98	Fairbairn Eur Sm	98		-	-	-	-
-	F.P.	33.1	112	101½	Finsbury Under'wrt	110½	+½	-	-	-	-
100	F.P.	46.2	116	100	For & Col Small C	115½	+1	-	-	-	-
60	P.P.	17.7	60	59	Friends Prov Eth	59		-	-	-	-
120	P.P.	98.8	123	122	Do. Units	122		-	-	-	-
60	P.P.	18.8	63	62	Do. Zero Div Pf	62¾	-¼	-	-	-	-
168	F.P.	405.0	208	166	Gartmore	201		W4.0	2.0	2.5	24.9
-	F.P.	34.5	119	105	Govett Emrg. C	115	-2	-	-	-	-
100	F.P.	58.0	113	102	Govett High Inc	112	+1	-	-	-	-
-	F.P.	0.73	5	3	‡Harmony Wrts.	4		-	-	-	-
100	F.P.	24.4	111	106	Inspirations	106		RN3.5	2.1	4.1	10.0
50	P.P.	10.3	53	50½	Kleinwort 2nd End	51½		-	-	-	-
190	F.P.	63.1	239	191	Litho Suppls.	239	+2	R6.5	2.0	3.4	18.4
320	F.P.	32.5	356	333	London Indl	355		uN7.0	1.2	2.5	23.4
100	F.P.	43.5	109	94½	Masthead Insce.	108		-	-	-	-
100	F.P.	585.0	117	98	Mercury Wrld Mng	117	+2	-	-	-	-
100	F.P.	27.5	111	100	Morgan Grenfell C	110	+1	-	-	-	-
100	F.P.	28.1	109	98	NM Smlr. Aust.	109	+3	-	-	-	-
-	F.P.	2.78	54	42	Do. Wrts.	54	+1	-	-	-	-
§140	F.P.	69.6	158	139	Nelson Hurst	154	-1	R5.6	1.8	4.5	15.4
100	F.P.	59.4	99	93	New London Cap	99		-	-	-	-
§78	F.P.	59.7	120	94	‡On Demand Info	117	-1	-	-	-	-
100	F.P.	16.0	104	100	Pilot Inv C	104		-	-	-	-
§40	F.P.	-	46	46	Rockwood	46		-	-	-	-
§10	F.P.	2.04	11½	10¼	Rossmont	11		-	-	-	-
60	F.P.	9.39	62	60	‡Securitised En.	62	+1	RN3.5	1.0	7.1	11.0

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price p	+or-
48	Nil	17/2	12pm	8pm	Anglo Irish	12pm	+1
325	Nil	17/1	103pm	63pm	Bemrose	103pm	+5
65	Nil	10/1	11pm	6pm	Bourne End	6pm	
35	Nil	10/1	4pm	2pm	Hiclare	2½pm	
25	Nil	2/2	8pm	6pm	Sheldon Jones	8pm	
152	Nil	14/1	23pm	11pm	Wyevale Garden	19pm	

pm Price at a premium.

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
CAF Money Management Co Ltd 48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Calcash Deposit Fund	5.10	-	5.20	3-Mth
Deposits Over £1 million	5.20	-	5.31	3-Mth
Deposits Over £2 million	5.30	-	5.41	3-Mth
The COIF Charities Deposit Account 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	5.30	-	5.41	3-Mth
Cent. Bd. of Fin. of Church of England‡ 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	5.30	-	5.41	3-Mth
Gartmore Money Management Ltd 16-18 Monument St, London EC3R 8QQ 071-230 1425; TESSA Desk 071 236 8362				
Call Fund	4.38	3.29	4.43	6-Mth
7-day Fund	4.87	3.43	4.62	6-Mth
Special Fund	4.34	3.26	4.43	1-Mth
Dollar	1.84	1.38	1.85	3-Mth
TESSA Prime	4.52	-	4.60	3-Mth

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
Aitken Hume Bank plc 30 City Road, London EC1Y 2AY 071-638 6070				
Treasury Account – for professional advisers				
£25,000-£49,999	5.00	3.750	5.12	Mth
£50,000 or more	5.25	3.9375	5.38	Mth
Money Inc Acc – for personal and business clients				
Up to £9,999	3.50	2.625	3.56	Mth
£10,000-£24,999	4.25	3.1875	4.33	Mth
£25,000-£49,999	4.75	3.5625	4.85	Mth
£50,000 or more	5.00	3.75	5.12	Mth
Money Market quotations – please telephone				
Allied Trust Bank Ltd 97-101 Cannon St, London, EC4N 5AD 071-626 0879				
FONNA (£2,001+)	6.54	4.90	6.54	Yearly
TREMNA (£2,001+)	5.85	4.39	5.85	Yearly
TOMNA (£2,001+)	5.04	4.23	5.04	Yearly
OMNA (£2,001+)	5.33	3.99	5.33	Yearly
HICA (£2,001+)	4.25	3.19	4.33	Mth
HIBCA (£2001+)	4.25	3.19	4.33	Mth
Premier TESSA	6.87	5.15	6.87	Yearly
American Express Bank Ltd Sussex House, Burgess Hill RH15 9AQ 0444 232444				
High Performance Cheque Account				
£500-£999.99	1.25	0.94	1.26	Mth
£1,000-£4,999.99	3.75	2.81	3.82	Mth
£5,000-£9,999.99	4.00	3.00	4.07	Mth
£10,000-£24,999.99	4.25	3.19	4.33	Mth
£25,000-£49,999.99	4.50	3.38	4.59	Mth
£50,000+	5.00	3.75	5.12	Mth
Bank of Ireland High Interest Cheque Acc 36-40 High St, Slough SL1 1EL 0753 516516				
£10,000+	3.75	2.813	3.803	Qtr
£2,000-£9,999	3.50	2.625	3.546	Qtr
Bank of Scotland 38 Threadneedle St, EC2P 2EH 071-601 6446				
BSI Chq Acc £2,500-£24,999	3.85	2.88	3.92	Mth
£25,000-£249,999	4.10	3.07	4.16	Mth
£250,000+	5.25	3.93	5.38	Mth
Barclays Select PO Box 120, Westwood Bs Pk, Coventry 0800 400100				
£2,000-£9,999	4.05	3.04	4.05	Yearly
£10,000-£24,999	5.00	3.75	5.00	Yearly
£25,000-£49,999	5.25	3.94	5.25	Yearly
£50,000-£99,999	5.75	4.31	5.75	Yearly

	Gross	Net	Gross CAR	Int Cr
Coutts & Co 440 Strand, London WC2R 0QS 071-753 1000				
Coutts Composite Account for clients money 15 Lombard Street, London EC3V 9AU 071-623 1010				
Rates negotiable up to	5.000	-	-	-
Dao Heng Bank (London) PLC Premier Acc 10 Angel Court, London EC2R 7HP 071-600 1018				
£20,000+	5.25	3.94	5.35	Qtr
£10,001-£20,000	4.60	3.38	4.85	Qtr
£2,500-£10,000	4.00	3.05	4.06	Qtr
Savings Account	3.00	2.25	3.03	Qtr
Davenham Tst Plc-Davenham 500 Acc 8 St John St, Manchester M3 4DU 061-832 8434				
£10,000+ 6Mths	7.25	5.4375	-	6-Mth
£10,000+ 1 Year	7.50	5.625	7.5	Yearly
£5,000+ Fixed Rate Bd 2 Yrs	8.00	6.00	7.7	-
Fidelity Money Market Account Fidelity Brokerage Services Ltd, Oakhill House, Hildenborough, Kent TN11 9DZ				
£1-£49,999	4.00	3.00	4.06	Qtr
£50,000-£249,999	4.50	3.375	4.58	Qtr
£250,000-£499,999	5.125	3.8437	5.22	Qtr
£500,000+ Money Market Rates on request				
Gartmore Money Management Ltd 16-18 Monument St London EC3R 8QQ 071-236 1425				
HICA £10,000+	4.00	3.00	4.06	3-Mth
Halifax Bldg Soc Asset Reserve Cheque Acc Trinity Road, Halifax HX1 2RG 0422 335333				
Rates for personal customers				
£50,000 and above	5.60	4.20	5.72	Qtr
£25,000 to £49,999	5.25	3.94	5.35	Qtr
£10,000 to £24,999	4.90	3.68	4.99	Qtr
£5,000 to £9,999	4.25	3.19	4.32	Qtr
Rates for non-personal customers				
£50,000 and above	5.25	3.94	5.35	Qtr
£25,000 to £49,999	4.75	3.56	4.84	Qtr
£10,000 to £24,999	4.50	3.38	4.58	Qtr
£5,000 to £9,999	4.25	3.19	4.32	Qtr
Julian Hodge Bank Ltd 10 Windsor Place Cardiff CF1 3BX 0222 220800				
6 Mth Fixed Rate Deposit Acc	6.50	4.88	6.61	-
3 Mth Fixed Rate Deposit Acc	6.00	4.50	6.14	-
1 Mth Fixed Rate Deposit Acc	6.00	4.50	6.14	-
Humberclyde Finance Group 5 Bartley Way, Hook, Basingstoke 0256 700000				
£50,000+	5.50	4.13	5.61	Qtr
Leopold Joseph & Sons Limited 29 Gresham Street, London EC2V 7EA 071-588 2323				
Treasury High Interest Cheque Account				
£25,001-£100,000	4.75	3.5630	4.8400	Qtr
£100,001 plus	5.00	3.7500	5.0900	Qtr
Kleinwort Benson Ltd 158 Kentish Town Rd, London NW5 2BT 071-267 1586				
H.I.C.A. (£2,500+)	4.375	3.326	4.459	Daily
Kleinwort Benson Private Bank (a division of Kleinwort Benson Investment Management Ltd) 158 Kentish Town Road, London NW5 2BT 071-267 1586				
H.I.C.A. (£2,500+)	4.375	3.326	4.459	Daily
Lloyds Bank – Investment Account 71 Lombard St, London EC3P 3BS 0272 433372				
£100,000 and above	5.50	4.13	5.50	Yearly
£50,000+	5.15	3.86	5.15	Yearly
£25,000+	4.95	3.71	4.95	Yearly
£10,000+	4.75	3.56	4.75	Yearly
Midland Bank plc PO Box 2, Sheffield 0742 529304				
Exchequer Acc £5000+	3.75	2.81	3.75	Yearly
£10,000+	4.50	3.37	4.50	Yearly
£25,000+	5.00	3.75	5.00	Yearly
£50,000+	5.75	4.31	5.75	Yearly
TESSA	5.25	-	5.25	Yearly
Nationwide Bldg Soc – Businessinvestor Business High Interest Cheque Account; Pipers Way, Swindon L, SN38 1NS 0800 335599				
£2,000-£4,999	3.30	2.48	3.34	Qtr
£5,000-£9,999	3.80	2.85	3.85	Qtr
£10,000-£24,999	4.30	3.23	4.37	Qtr
£25,000-£49,999	4.80	3.60	4.89	Qtr
£50,000+	5.30	3.98	5.41	Qtr
Portman Bldg Soc Prestige Cheque Account Richmond Hill, Bournemouth, BH2 6EP 0800 663683				
£50,000+	5.50	4.13	5.50	Yearly
£30,000-£49,999	5.00	3.75	5.00	Yearly

[illegible]

	Gross	Net	Gross CAR	Int Cr
£10,000-£29,999	3.70	2.78	3.75	Qtr
£30,000-£99,999	3.75	2.81	3.80	Qtr
£100,000-£199,999	3.80	2.85	3.85	Qtr
The Co-operative Bank PO Box 300, Skelmersdale, Lancs 0345 252000				
TESSA	5.50	-	-	Yearly
Pathfinder – Card Based Current Account				
All Balances	5.37	4.03	5.50	Mth
Investment 90 – 90 Day Notice Savings				
£50,000+	5.50	4.13	5.58	6-Mth
£25,000-£49,999	4.75	3.56	4.81	6-Mth
£10,000-£24,999	4.25	3.19	4.30	6-Mth
£5,000-£9,999	3.25	2.44	3.28	6-Mth
Top Tier – Instant Access Savings				
£50,000+	4.00	3.00	4.04	6-Mth
£10,000-£49,999	3.50	2.63	3.53	6-Mth
£5,000-£9,999	2.50	1.88	2.52	6-Mth
Business Deposit – Instant Access				
£250,000+	4.75	3.56	4.81	6-Mth
£50,000-£249,999	3.31	2.48	3.34	6-Mth
£10,000-£49,999	3.00	2.25	3.02	6-Mth
£500-£9,999	2.50	1.88	2.52	6-Mth
30-90 day notice available Tel 061-829 5526				
J. Henry Schroder Wagg & Co Ltd 120 Cheapside, London EC2V 6DS 071-382 6000				
Special Acc.	3.00	2.25	3.03	Mth
£10,000 and above	3.25	3.56	3.29	Mth
Western Trust High Interest Cheque Acc The Moneycentre, Plymouth PL1 1SE 0752 224141				
£15,000+	5.00	3.75	5.09	Qtr
£5,000-£14,999	4.75	3.56	4.84	Qtr
£1,000-£4,999	4.50	3.38	4.58	Qtr
Wimbledon & South West Finance PLC 114 Newgate St, London EC1 7AE 071-606 9485				
High Int Cheque Acc	4.50	3.38	4.58	Qtr

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£25¼	1.0	Q58%	1.8	Sep May	1.9	1867
ANZ A$		218	-3.3	Q20c	ϕ	Jan Jul	9.12	1888
Abbey National	†	490	-4.3	11.85	2.3	May Oct	16.8	5411
Allied Irish I£	♣†a	312	6.5	Q44%	2.1	Oct May	16.8	1354
Anglo Irish I£		63	13.5	Q17.5%	ϕ	Jan Jul	23.11	1355
Asahi Y		887		Q14%	1.3	Jun Dec	10.12	3048
Banco Bil Viz Pta		£14½	-2.1	Q22.2%	2.7	JyOcJaAp	13.7	-
Banco Sant Pta		£30½	-2.2	Q34.7%	2.0	ApJyOcJa	30.10	-
Bank Leumi (UK)		375		17.0	-	Apr Sep	2.8	1740
Bk Ireland I£	♣	316	8.2	Q13¼%	1.5	Jul Dec	15.11	1380
Bank Scotland	♣†	223	-.9	4.87	1.6	Dec Jul	18.10	1742
9¼pc Pf		139	-1.1	9¼%	-	May Nov	18.10	1462
9¾pc Pf		148	-.7	9¾%	-	May Nov	18.10	-
Barclays	‡N	619	-2.7	12.5	-	Oct May	16.8	1754
Dai Ichi Kan Y		1886	1.0	Q12%	3.2	Jun Dec	10.12	3221
Deutsche DM		£334	-3.1	Q30%	-	May	24.5	2345
Espirito Santo		£23¼	-3.3	Q120c	5.2	Jun	4.6	6187
First Nat Fin		64	6.7	0.5	-	Aug	16.8	2571
6.3pc Cv Pf		79xd	-2.5	6.3%	-	Jul Jan	4.1	2570
7pc Cv Pf		124xd	-2.4	7.0	-	Jul Jan	4.1	-
Fuji Bank Y		1401		Q17%	2.3	Dec Jun	4.7	1084
HSBC HK	†	936	-5.5	20.0	2.0	Nov Jun	20.9	2796
HSBC (75p Shs)	†	920	-5.5	20.0	2.0	Nov Jun	20.9	2778
Lloyds	†	634	-3.8	19.1	1.9	Oct May	2.8	3171
Mitsubishi Y		£15¾	-1.2	Q17%	2.3	Jun Dec	10.12	5290
Mits Tst & Bk Y		£7¼		Q16%	12.4	Jun Dec	10.12	4775
Mitsui Tst & Bk Y		538	2.7	Q17%	5.5	Jun Dec	10.12	5388
Nat Aust A$		582	-.4	Q50c	ϕ	Jul Jan	20.12	3456
NatWest	†	615	-.8	17.8	1.0	Oct May	16.8	3463
Ottomane FFr		£28½	2.7	Q150%	2.3	May	12.5	1821
Ryl Bk Scotland	♣N	465	2.0	11.0	1.9	Feb Jul	13.12	3874
Sakura Y		£8⅝	1.4	Q17%	3.0	Dec Jun	10.12	3831
Sanwa Y		£12¼	-2.0	Q17%	2.7	Jun Dec	10.12	5108
Standard Chartd	†	1211	-2.5	20.5	0.1	Jun Oct	16.8	4094
Sumitomo Y		£11¼	-.3	Q17%	8.7	Jun Dec	10.12	3079
[illegible]		[illegible]						

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

	Notes	Price
Travis Perkins		312
Tudor		21
Unigroup		36
Watchouse		33
Wickes		112
Wilshaw	†N	40½
Wolseley	♣N	870

CHEMICALS

	Notes	Price
AGA Skr		£33½
Akzo Fl		£71
Allied Colloids	†N	235
Amber Ind	†N	725
BASF DM		£117½
BOC	♣N	665
BTP	♣†N	333
Bayer DM		£140½
Brent	N	128
British Vita	†	286
Cambridge Iso $		25
Canning (W)	♣	163
Courtaulds	†N	534
Croda	†N	348
Doeflex		114
European Colour	♣†	39
Gibbon Lyons		141
Hantone		4
7pc Pf		23
Headway	♣N	49
Hickson	♣N	182
[illegible]		

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

FOOD MANUFACTURERS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SPIRITS, WINES & CIDERS - Cont.

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Anglo Am Ind		£13½		0350c	1.7	Oct Apr	22.3	–
Barlow Rand		£8¾	1.4	Q173c	♦	Jan Jul	13.12	1760
Gold Fields SA R		1768	5.6	Q200c	1.5	Mar Sep	28.1	2717
NK Props	♠	90		087.1c	♦	Mar Oct	18.10	–
SASOL	♥	294	-3	Q78c	–	Oct	23.9	3919
SA Brews		1489	-1	Q138c	2.2	Dec Jun	13.12	4113
Tiger Oats		873	14.0	Q82c	2.9	Jan Jul	29.11	5222
Tongaat-Hulett	†	472xd	0.9	Q75c	2.4	Feb Aug	4.1	5221

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend: cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on MRI "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: **Sep Indl. Pt.** (Dists.), **Azlan, Millgate & Telspec** (Elect. & Elec. Eq.), **Eagle Mining** (Extractive Inds.), **Royal Doulton** (Household Goods), **Fenchurch, Premium Trust & Premium Under.** (Insce.) and **Celltech** (Pharms.). Deletions: **Baris** (Bldg. Mats. & Mts.), **Plasmec** (Chemicals) and **Travellers** (Insce.)

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT5041. [If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 36p per minute cheap rate and 48p per minute at all other times.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close January 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE COMPOSITE PRICES

4 pm close January 7

Continued from previous page

- X - Y - Z -

90	69⅞	Xerox	3.00	3.3	36	3406	u91	90	90¾	+⅛
55½	51½	Xerox4.125	4.12	7.8		2	52⅝	52⅝	52⅝	
53	31¼	Xtra Corp	0.48	1.0	21	401	48	47¼	47½	+½
29¼	18½	Yankee Egy	1.16	4.9	14	19	24⅛	23⅞	23⅞	-¼
1⅝	¾	Zapata			17	2765	1⅛	1¼	1¼	
10½	5⅞	ZnthEl			3	2571	7⅞	7½	7⅞	+½
29¼	19⅝	Zenith Nat	1.00	4.4	10	12	22½	22⅜	22½	
8	6½	Zenix Inc	0.82	10.7		190	7¾	7⅝	7⅝	
16⅝	12¾	Zero	0.40	2.6	18	116	15¼	15	15⅛	
40¾	25⅛	Zurn Ind	0.88	3.3	58	264	27⅛	26⅝	26¾	+⅛
13⅞	12⅝	Zweig Fund	1.24	9.1		236	13⅝	13½	13⅝	
10⅞	9⅞	Zweig Totl	0.86	8.9		516	10¾	10⅝	10¾	+⅛

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close January 7

NASDAQ NATIONAL MARKET

4 pm close January 7

FT GUIDE TO THE WEEK

10 MONDAY

Nato tries to redefine itself

Leaders of the 16 Nato countries meet for a two-day summit in Brussels. US President Bill Clinton, on his first trip to Europe since taking office in January 1993, will be attending. The US called the meeting – Nato's first summit since 1991 – to try to inject new life into the alliance.

Proceedings will be dominated by a dilemma over how to handle the aspirations of central and east European countries that want to join. Keeping both them and the Russians happy looks impossible.

Middle East peace talks between Israel and the Palestine Liberation Organisation are due to resume. Negotiations have been stalled over arrangements for the Israeli handover of Gaza and the Jericho area of the West Bank, which should have begun on December 13.

Beirut reconstruction: The share offer to capitalise Solidere, the company being created to rebuild Beirut city centre, closes today. The issue represents 35 per cent of the founding equity; $1.17bn worth of shares are being distributed to property-owners in exchange for title to the land.

Wibble presents her budget:

Anne Wibble, (left) Sweden's finance minister, presents her budget for the 1994-95 fiscal year. After three years of deep recession, the economy is set to show modest growth. But sharply rising debt and a budget deficit of about 15 per cent of GNP have cramped policy options in the battle to reduce unemployment from 14 per cent.

Burmese opposition: The Karen National Union, the largest group of insurgents still fighting Burma's military government, is to tell its colleagues in the Democratic Alliance of Burma that it has decided to pursue separate peace talks. The move comes in response to mounting pressure from its traditional backer, Thailand.

Britain's Milk Marketing Board meets the government in an effort to win support for its plans to reshape itself as Milk Marque, a voluntary farmers' co-operative. The £3bn milk market in England and Wales is opened to competition in April. If the government rejects the board's plans, an investigation of the milk market is likely to begin on Wednesday.

11 TUESDAY

Russia's parliament meets

The newly-elected Russian parliament convenes – in two places. Because the government has taken over the old parliament building for itself, the State Duma (lower chamber) will squeeze into a former Comecon skyscraper, and the Federation Council (upper chamber) will sit in the former Soviet construction ministry a few miles away.

President Boris Yeltsin is expected to address both chambers separately on their first day. Election of a parliamentary speaker is an early task, which, reflecting the fractious nature of parliament, is unlikely to be easy. The parliament looks set to be dominated by anti-reform forces.

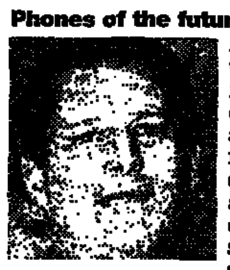
EMI meeting: The European Monetary Institute, the European Union's embryo central bank, holds its inaugural session in Frankfurt town hall. The Institute was set up on January 1, when stage two of the EU's progression to a single currency formally began.

South African reform: The Transitional Executive Council starts meeting in Pretoria for what are expected to be weekly sessions.

Tunnel ticket prices: Eurotunnel, operator of the Channel Tunnel, announces fares for Le Shuttle, the car passenger service which will run through the tunnel between Folkestone and Calais. Tickets go on sale on Wednesday ahead of the tunnel opening on May 6.

UK politics: The House of Commons returns after its Christmas recess. The Finance Bill will be published, with no substantial changes expected from the November Budget, the first to unify spending and revenue measures. Stephen Dorrell, the financial secretary to the Treasury, will be the minister mainly responsible for piloting the Bill through the Commons.

Phones of the future:



Al Gore (left), the US vice-president, addresses communications and entertainment industry executives at a conference on information superhighways sponsored by University of Southern California, Los Angeles. He will outline the administration's telecommunications policy into the next millennium.

FT Survey: West Bengal. After a quarter of a century of decline, the state's industrial revival seems imminent. In Calcutta, the eastern seaport which is the natural gateway to emerging Asian nations, there is a strong campaign to revive some of the region's lost glory as India's prime industrial heartland.

12 WEDNESDAY

Proposal for allaying angst

The Czech capital Prague is the venue for a meeting between President Clinton and the leaders of the Visegrad group of four central European countries, Czech president Vaclav Havel (above), Polish president Lech Walesa, Hungarian president Arpad Goncz and Slovakian president Vladimir Meciar. President Clinton will be explaining Nato's plans for closer military collaboration through so-called "partnerships for peace" that stop short of full membership. He will be trying to reassure them that the scheme will address their security fears.

Clinton then flies on to Russia, where among other things the will try to assure his hosts that the planned arrangements pose no threat to them.

Italian confidence vote:

The Italian parliament is due to debate a motion of no-confidence in the government of prime minister Carlo Ciampi (left). This will determine both the date of the dissolution of parliament and that for early elections.

Metallgesellschaft: Deadline for banks to approve a DM3.2bn ($1.9bn) bail-out for the German mining, metals and engineering group.

Georgia's president Eduard Shevardnadze is scheduled to start a two-day official visit to Turkey for talks on regional and international issues. Shevardnadze is to sign a series of agreements on industry and trade, tourism, security, customs, prevention of smuggling, drugs smuggling, culture and sports.

UK economic policy: Chancellor of the exchequer Kenneth Clarke and governor of the Bank of England Eddie George have first substantial discussion of monetary policy since last November's Budget. Inevitably, interest rates will feature on the agenda.

The policy dilemma is whether to cut rates in anticipation of the effect of April's tax rises on consumer demand, or to wait to see how consumers react. Recent positive economic indicators has dampened speculation of a cut in the short term.

UK unemployment: Labour market statistics for December 1993 are expected to show the number of jobless still falling, but more slowly. Estimates of the month's decline vary from 5,000 to 40,000, with the trend fuelled by more hiring rather than just a slowdown in firing. Unemployment in November was 2,816,000.

13 THURSDAY

Clinton confers with Yeltsin

President Clinton holds talks in Moscow with Boris Yeltsin, the Russian president. Signs are that economic reform is taking a back seat.

Russia is being much more assertive abroad, especially in the former Soviet states. And Mr Clinton will need a lot of balm to soothe Russian suspicions that Nato is creeping up to its borders.

A bridge too far? Swedish prime minister Carl Bildt's four-party coalition will meet in an attempt to make a long-delayed decision on building a road-and-rail link to Denmark, the first fixed link between Sweden and the European mainland.

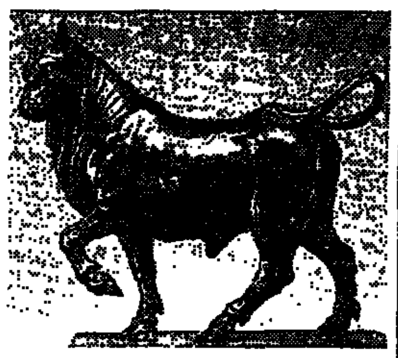
Stockholm and Copenhagen signed a treaty to build the combined 18km bridge-tunnel across the Oresund strait in 1990. However, the $2.8bn project has been held up by opposition from Sweden's Centre Party. Its environmental objections are shared by many voters, according to opinion polls.

Mr Bildt, anxious to avoid a coalition upset, is striving to find a compromise that will allow the project to go ahead, while keeping the Centre Party in the government. A frustrated Denmark, meanwhile, is threatening to sue if Sweden backs out.

UK electricity industry regulator, Professor Stephen Littlechild, is due to speak on power generation and electricity supply at a conference in London's Langham Hotel. He has to decide soon whether to refer generating companies National Power and PowerGen to the Monopolies and Mergers Commission. Analysts will be studying the speech for clues on his thinking.

Thorp in court: Environmentalists go to the High Court in London to seek judicial review of the UK government's decision to start up Thorp, the controversial nuclear waste reprocessing plant in Cumbria. Thorp is due to begin operations on January 17.

Saleroom: Sotheby's New York offers for sale the collection of the late Peter Jay Sharp, a New York hotelier and real estate developer. The 77 lots are expected to bring in some $15m. They include Old Master paintings, illustrated books, French furniture, and Renaissance bronzes, including the figure of a bull below.



President Clinton is making his first trip to Europe since assuming the US presidency almost a year ago

14 FRIDAY

US seeks boost in the east

Lloyd Bentsen, US treasury secretary, in Moscow for President Bill Clinton's summit with Russian President Boris Yeltsin, embarks on a trip to the far east.

His first stop is Jakarta, Indonesia. He travels on to Thailand and China before returning to the US on January 23.

Bentsen hopes to strengthen economic relations and improve opportunities for US goods, investment and financial services.

Environment conference: Ministers from 17 nations, including the US, begin an informal three-day conference on global issues in Agra, India.

UK national lottery: Peter Davis, director-general of the national lottery, has called for expressions of interest in applying for the lottery licence by today. The deadline for applications is February 14.

Golden trends: Gold Fields Mineral Services, producer of the influential annual Gold Survey, is due to publish its second update on trends in the 1993 gold market.

15-16 WEEKEND

Clinton and Assad to talk

President Clinton stops off in Minsk, capital of Belarus on Saturday en route to Geneva. There, he and President Assad of Syria are due to discuss the Middle East peace process.

Inkatha decision: Chief Mangosuthu Buthelezi's Zulu-based Inkatha party will decide at its congress on Saturday, whether to uphold its boycott of South Africa's first all-race elections in April.

Japanese reform: If the government's political reform bills fail to get through the upper house of parliament by Sunday – 60 days after passing in the lower chamber – the lower house has the right to form a joint committee with the upper house and enact amended versions. The current session of parliament has been extended to January 29 in an attempt to get the bills through.

Presidential elections take place on Sunday in Crimea, a region of Ukraine with considerable autonomy, and Finland, where a second round is expected on February 6.

Compiled by Patrick Stiles. Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Monday: Figures for the UK's October visible trade deficit are expected to show an improvement on September's £1bn shortfall. According to MMS International, the median forecast is a deficit of £600m. November consumer credit figures are predicted to show new lending of £300m.

Tuesday: The first estimate for West Germany's 1993 GDP is expected to show a 1.9 per cent drop, and may indicate a GDP fall in the fourth quarter.

Wednesday: UK average earnings figures will be scrutinised for evidence of any inflationary pick-up; market consensus is for an unchanged annual rate of 3 per cent.

Thursday: The US publishes December figures for retail sales and the consumer price index. Expectations are for month-on-month growth of 0.4 and 0.2 per cent respectively. Markets will be looking for inflationary signs which might encourage the Fed to raise interest rates.

Friday: Publication of the Japanese wholesale price index should show continuing deflationary pressures being imposed on the economy by the strong yen. Expectations are for a 3.2 per cent decline in the year to December.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	France	Dec consumer prices index**	2.3%	2.2%
Jan 10	UK	Nov consumer credit	£300m	£311m
	UK	October visible trade (global)	-£600m	-£1bn
	Canada	Nov motor vehicle sales*	2.5%	2.4%
	Norway	December consumer prices index**	2.1%	1.9%
Tues	US	Johnson Redbook – w/e Jan 8	–	-0.4%
Jan 11	Germany	1993 GDP – West, first est.	-1.9%	1.6%
	Canada	Nov department sales**	-1.2%	-2.7%
	Canada	Dec housing starts (units)	170,000	171,000
	Aus'alia	Dec unemployement (seas. adj)	11%	11.1%
Wed	US	Dec producer prices index	-0.1%	unchanged
Jan 12	UK	Nov average earnings	3%	3%
	UK	Dec unemployment rate	-20,000	-36,000
	Canada	Oct labour income – seas. adj.**	2.2%	2.8%
Thur	US	Dec retail sales	+0.4%	0.4%
Jan 13	US	Dec retail sales (ex-autos)	+0.4%	0.5%
	US	Dec consumer prices index	0.2%	0.2%
	US	Dec CPI (ex-food/energy)	0.3%	0.3%
	US	Initial claims – w/e Jan 8	334,000	363,000
	US	Money supply for Dec	–	–
	US	Money supply – w/e Jan 3	–	–
	Norway	Dec trade balance (ex-ships)	NKr3.9bn	NKr3.6bn

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Fri	US	Dec industrial production	+0.4%	0.9%
Jan 14	US	Dec capacity utilisation	83.2%	83%
	US	Jan Michigan sentiment prelim.	–	88.2
	US	Nov business inventories	+0.2%	unchanged
	Japan	Dec wholesale prices index*	0.2%	-0.1%
	Japan	Dec wholesale prices index**	-3.2%	-3.4%
	Spain	Dec consumer prices index*	0.2%	0.2*
	Spain	Dec consumer prices index**	4.7%	4.7%
During this week...				
	Germany	Nov retail sales – real**	-3.8	-7.3%
	Germany	Dec final cost of living*	–	0.3%
	Germany	Dec final cost of living**	–	3.7%
	Germany	Nov capital account	–	DM4.2bn
	Germany	Nov long-term capital account	–	DM22.8bn
	Germany	Dec wholesale prices index*	0%	0.3%
	Italy	Third quarter GDP*	-0.1%	-0.6%
	Italy	Third quarter GDP†	-0.1%	0.76%
	N'lands	Dec consumer prices index**	1.8%	1.7%
	Spain	Oct industrial production**	-1%	-1.7%
	Spain	Dec unemployment (registered)	17.7%	17.4%
	Switz'd	Dec trade balance	SFr250m	SFr713m

*month on month, †quarter on quarter, **year on year. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

No.8,349 Set by VIXEN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday January 20, marked Monday Crossword 8,349 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday January 24.

Name...

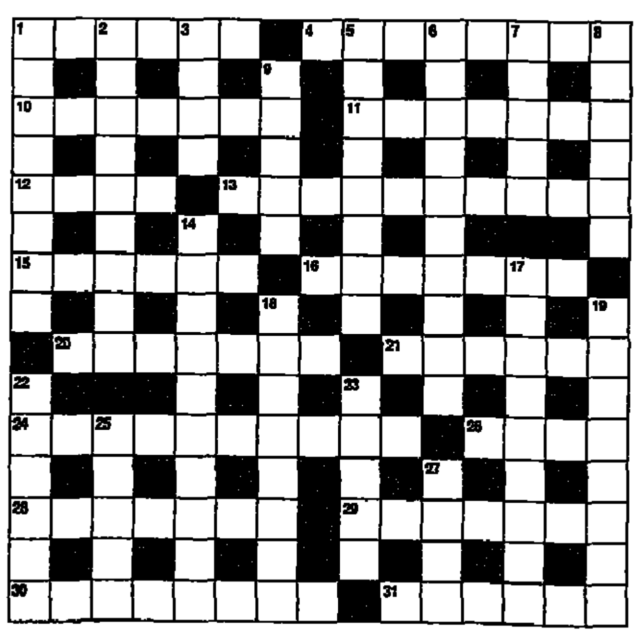
Address...

ACROSS

1 Preoccupied – bent as can be (6)
4 Objects of professional examinations (8)
10 Ready to accommodate father and gas (7)
11 The person driving 3 with a certain hesitation (7)
12 Counteracting some brilliant if over-ambitious scheme (4)
13 They're branching out into light carriers (10)
15 Quarter a Parisian with the German or separate? (6)
16 Agreement that makes no sense (7)
20 A medico accepting present, a sticker (7)
21 Position for a good man, an engineer (6)
24 Fabric or furniture may be spoken of (10)
26 Waste wood (4)
28 Twisted others in combine (7)
29 Marshal and heavily armed soldiers backed to some extent (7)
30 One will get good viewing here when 5 is dealt with (8)
31 Show contrition when put in prison again (6)

DOWN

1 Value a quiet compliment (8)
2 Cut the ends, or otherwise? (9)
3 Livestock in good shape (4)
5 Just living for a change of 30 (8)
6 Heavenly music! (3,7)
7 Common plants maybe, but clean (5)
8 Call out second best (6)
9 Walker has taken almost everything allowable (5)
14 Misuses new seed boxes (10)
17 Feeling fine say around one (9)
18 Watched a dredger in operation (8)
19 Making a crack about always being deferential (8)
22 Storage space required by a draughtsman (6)
23 Go ahead after cash appeal (5)
25 Clean down (5)
27 Not all supporters express themselves in such language (4)



JOTTER PAD

JOTTER PAD